

(Translation)

To All Persons Concerned

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### **PALTEK Issues Revised Forecast for FY2006 (ending December 31, 2006)**

PALTEK Corporation today issued revised consolidated and non-consolidated business forecasts for both the half year ending June 30, 2006 and the fiscal year ending December 31, 2006, from those announced on February 14, 2006. The key points are as in the tables below.

#### 1. Consolidated Forecast for the First Half

##### (1) Half Year 2006 Revisions (January 1, 2006 – June 30, 2006)

(Yen in Millions )

	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	4,620	-567	-609	-372
Revised Forecast (B)	5,720	-325	-180	-110
Increase/Decrease Amount (B-A)	1,100	242	429	262
Increase/Decrease Percentage (%)	23.8	42.7	70.4	70.4

##### (2) For Reference: Previous Year's Results (January 1, 2005 – June 30, 2005)

( Yen in Millions )

	Net Sales	Operating Income	Ordinary Income	Net Income
First Half (1/1-6/30)	8,289	239	105	82

#### 2. Non-Consolidated Forecast for the First Half

##### (1) Half Year 2006 Revisions (January 1, 2006 – June 30, 2006)

(Yen in Millions )

	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	2900	-570	-595	-353
Revised Forecast (B)	3500	-430	-275	-160
Increase/Decrease Amount (B-A)	600	140	320	193
Increase/Decrease Percentage (%)	20.7	24.6	53.8	54.7

## (2) For Reference: Previous Year's Results (January 1, 2005 – June 30, 2005)

( Yen in Millions )

	Net Sales	Operating Income	Ordinary Income	Net Income
First Half (1/1-6/30)	6,949	184	74	67

## 3. Consolidated Forecast: Fiscal Year 2006

## (1) Fiscal Year 2006 Revisions (January 1, 2006 – December 31, 2006)

( Yen in Millions )

	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	12,740	-490	-575	-344
Revised Forecast (B)	13,510	-875	-790	-474
Increase/Decrease Amount (B-A)	770	-385	-215	-130
Increase/Decrease Percentage(%)	6.0	-78.6	-37.4	-37.8

## (2) For Reference: Previous Year's Results (January 1, 2005 – December 31, 2005)

( Yen in Millions )

	Net Sales	Operating Income	Ordinary Income	Net Income
Full-Year (1/1-12/31)	17,946	541	373	243

## 4. Non-Consolidated Forecast: Fiscal Year 2006

## (2) Fiscal Year 2006 Revisions (January 1, 2006 – December 31, 2006)

( Yen in Millions )

	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	9,000	-570	-620	-368
Revised Forecast (B)	5,880	-1020	-890	-525
Increase/Decrease Amount (B-A)	-3,120	-450	-270	-157
Increase/Decrease Percentage(%)	-34.7	-78.9	-43.5	-42.7

## (3) For Reference: Previous Year's Results (January 1, 2005 – December 31, 2005)

( Yen in Millions )

	Net Sales	Operating Income	Ordinary Income	Net Income
Full-Year (1/1-12/31)	14,774	402	259	174

## 5. Reason for Revision

For the first half of fiscal year 2006, revenue is expected to increase due to better than expected Analog and System Solution businesses. In addition, handover of Altera business, with whom distribution agreement was terminated effective March 31, 2006, to its new distributors has taken longer than initial estimate, which consequently resulted in higher revenue.

Operating income is expected to rise due to higher revenue.

In addition to higher revenue explained above, exchange rate gain from stronger yen and some non-operating income will result in higher ordinary income.

As the entire fiscal year 2006 guidance, PALTEK now lowers sales guidance from PLD business with the new supplier, Xilinx. When it was first announced on February 14<sup>th</sup>, 2006 at the announcement of FY2005 results, customer transfer was expected to be completed by the end of the second quarter, June 2006. Although most of notified customers are favorable to be transferred to PALTEK, the transition from their current distributor will take 3 to 6 months longer than initially planned possible. However, the sales from NS Microelectronics (“NSM”), which was acquired by PALTEK in May, will be consolidated starting from the 2<sup>nd</sup> half of FY2006, and its contributing revenue is expected to overcome a short fall of the delay in PLD business transition.

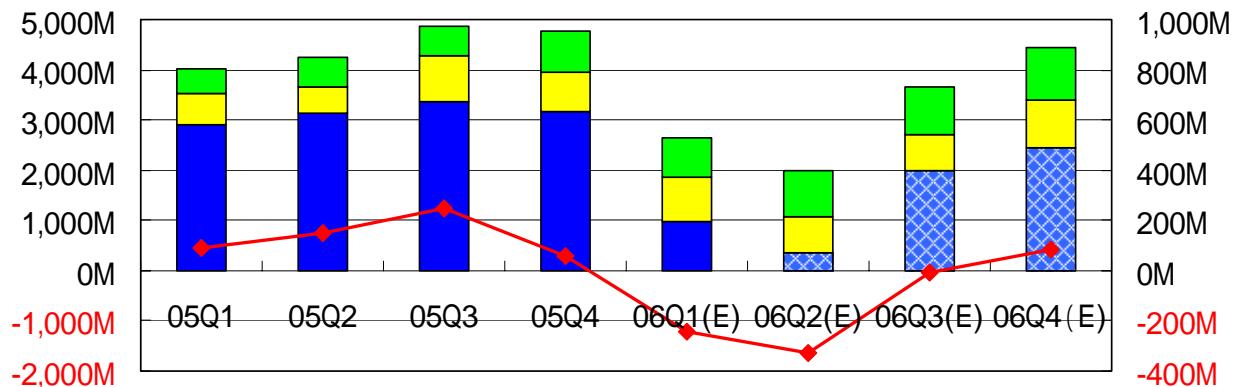
For operating income, the contribution from NSM will be minimal for this fiscal year and the delay in customer transition for PLD business, which has higher gross margin, will negatively impact the over all performance for FY2006.

For both ordinary income and net income, in spite of the positive guidance in the first half, it is not enough to compensate the loss from the above mentioned impact on operating income. Accordingly, PALTEK now lowers the guidance for ordinary income and net income.

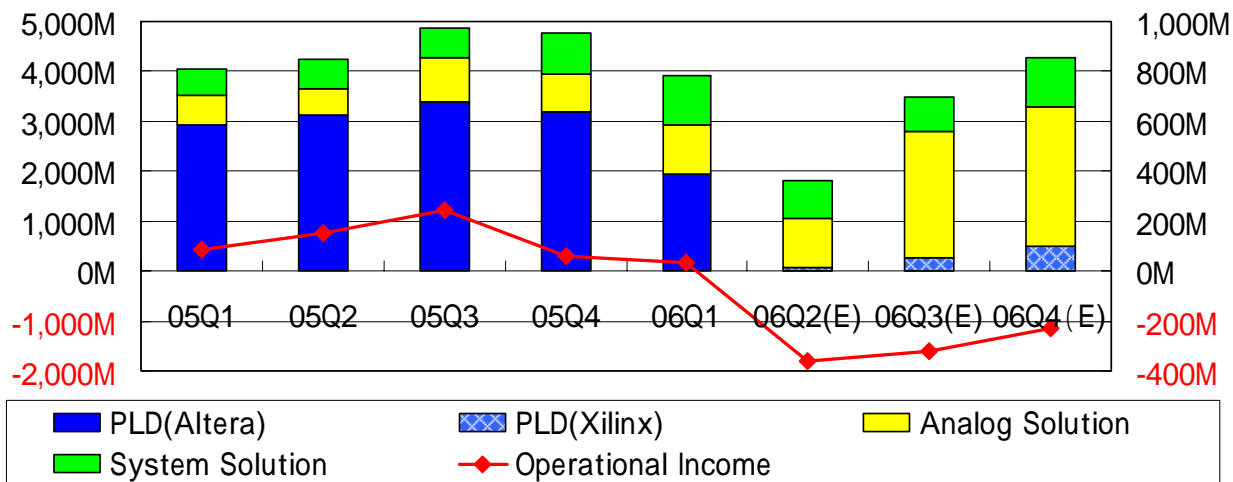
<Reference>

Graphs below show the changes in guidance made on February 14<sup>th</sup>, 2006, to at this time on May 16<sup>th</sup>, 2006.

Graph 1: Revenue and income guidance made on February 14<sup>th</sup>, 2006



Graph 2: Revenue and income guidance made on May 16<sup>th</sup>, 2006



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Questions concerning this Press Release

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