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(Translation)

To All Persons Concerned

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PALTEK Issues Revised Forecast for FY2007 (ending December 31, 2007)

PALTEK Corporation today issued revised consolidated and non-consolidated business forecasts for both the half year ending June 30, 2007 and the fiscal year ending December 31, 2007, from those announced on February 9, 2007. The key points are as in the tables below.

1. Consolidated Forecast for Fiscal 2007

(1) Half Year 2007 Revisions (January 1, 2007 – June 30, 2007)

(Yen in Millions)

	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	9,200	-438	-458	-283
Revised Forecast (B)	9,120	-290	-250	-240
Increase/Decrease Amount (B-A)	-80	148	208	43
Increase/Decrease Percentage (%)	-0.9	33.8	45.4	15.2

(2) Fiscal Year 2007 Revision (January 1, 2007 – December 31, 2007)

(Yen in Millions)

	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	21,500	-315	-370	-230
Revised Forecast (B)	21,400	-280	-275	-230
Increase/Decrease Amount (B-A)	-100	35	95	—
Increase/Decrease Percentage (%)	-0.5	11.1	25.7	—

(3) For Reference: Previous Year's Results (January 1, 2006 – December 31, 2006)

(Yen in Millions)

	Net Sales	Operating Income	Ordinary Income	Net Income
First Half (1/1-6/30)	5,948	-150	-43	-37
Full-Year (1/1-12/31)	14,729	-412	-42	-36

2. Non-Consolidated Forecast for Fiscal 2007

(1) Half Year 2007 Revisions (January 1, 2007 – June 30, 2007)

(Yen in Millions)

	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	4,120	-430	-440	-270
Revised Forecast (B)	4,300	-365	-335	-275
Increase/Decrease Amount (B-A)	180	65	105	-5
Increase/Decrease Percentage (%)	4.4	15.1	23.9	-1.9

(2) Fiscal Year 2007 Revision (January 1, 2007 – December 31, 2007)

(Yen in Millions)

	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	10,640	-425	-460	-280
Revised Forecast (B)	10,600	-500	-495	-350
Increase/Decrease Amount (B-A)	-40	-75	-35	-70
Increase/Decrease Percentage(%)	-0.4	-17.6	-7.6	-25.0

(3) For Reference: Previous Year's Results (January 1, 2006 – December 31, 2006)

(Yen in Millions)

	Net Sales	Operating Income	Ordinary Income	Net Income
First Half (1/1-6/30)	3,613	-280	-155	-96
Full-Year (1/1-12/31)	6,541	-724	-405	-224

3. Reason for Revision

For the first half of fiscal year 2007, revenue is expected to be within the previous guidance. While revenue from Analog solution will be better than expected thanks to speedy deployment of one large project, the increase will be largely offset by weaker System solution in the latter half of the first half of fiscal year.

As for operating loss, loss from operations will be significantly reduced by cost saving efforts while overall gross margin percentage remains within expected range in spite of changes in revenue mix by solution categories.

In addition to reduced operating loss explained above, exchange rate gain from weaker yen will result in cutting ordinary loss.

As for the entire fiscal year 2007 guidance, PALTEK maintains the previous guidance for revenue. Continuing revenue increase from Analog solution in the second half of the fiscal year will be largely offset by weaker System solution due to some postponed and reduced customer projects. Revenue from PLD solution is increasing steadily and will reach the level of the previous guidance.

Operating loss, at non-consolidated base, is expected to expand due to over-than-expected gross margin point for System solution while gross margin point for PLD solution is improving thanks to widening customer base. Cost-saving efforts will mostly cover the impact from reduced gross margin, but just not enough to cover it all. However, at consolidated base, a large increase in revenue for Analog solution and further cost-saving efforts at consolidated base will compensate the expanded operating loss at non-consolidated base and will result in reduced operating loss at consolidated base.

For both ordinary loss and net loss at non-consolidated base, the impact from increased operating loss will result in increased loss. At consolidated base, reduced operating loss and the gain from exchange rate will further help reduce ordinary loss.

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Questions concerning this Press Release

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