

PALTEK

(JASDAQ:7587)

Fiscal Year 2007 Third Quarter Explanatory Meeting

(English translation of original presentation)

October 30, 2007

Safe Harbor Disclaimer

This presentation may provide projections or other forward-looking statements regarding future events and/or future financial performance.

We wish to caution you that such statements are just predictions and that actual events or results may differ materially due to changes in the market and/or other business conditions.



Agenda

- 1 Results of FY2007Q3
- 2 Guidance of FY2007
- 3 Strategies for Growth



For the future growth

	2006	2007	2008
Goals	Maintenance of competitive edges and reconstruction for recovery	Recovery of business scale and investment for the future	Transformation to profitable growth
Actions	<ul style="list-style-type: none"> Retain capable people Return all Altera inventory Reconstruction of PLD business Strengthen other business 	<ul style="list-style-type: none"> Evolution of solutions Expansion of customer base Strengthen group management 	



Results of FY2007Q3

Business Environment

Semiconductor market related to PALTEK Group

- **PLD Market**
Flat from the previous quarter, and down from the same quarter of one year ago. Communication sector was still on the recovery, but consumer market was strong
- **Analog Semiconductor Market**
Large analog semiconductor vendors showed strong results due to seasonal impacts of Christmas and the year-end shopping season
- **Memory Market**
Spot price for DDR2-512M bit DRAM continues to drop and it reached US\$1.35 in mid October. Inventory correction at module vendors and improvement in yielding contribute to over-supply situation.
- **ASSP Market**
ASSPs for PC and peripherals, communication applications and consumer applications were strong.



Business Environment

Application market related to PALTEK Group

- **Communication Market**
Domestic market remains soft waiting for deployment of such new services by NGN and WiMAX. Some products for oversea market was strong at some vendors.
- **Industrial Market**
Capital investment looks spotty and there looks some companies repressing capital investment.
- **Consumer Market**
PC market showed strength in Europe and Asia Pacific markets.
Severe price competition in flat TV market continues and weak demand in US market shows some impact.



2007Q3 Results (Consolidated, three months ended)

(Million yen)	06Q3	07Q3	Change (M Yen)	Change (%)	Main reasons for change
Sales	4,693	5,914	1,220	26.0%	One large analog project contributed to large increase
Gross Margin	706	760	53	7.6%	Over all GPM% fell due to large % of sales from one big analog project
Gross Margin (%)	15.0%	12.9%	-2.1%	-	
SGA	822	783	-39	-4.9%	Continue to improve low-cost operation
Operating Income	-116	-23	93	-	
Operating Income (%)	-2.5%	-0.4%	2.1%	-	
Ordinary Income	-16	-13	2	-	
Net Income	7	16	9	128.3%	



2007Q3 Results (Consolidated, nine months ended)

(Million yen)	06Q3	07Q3	Change (M Yen)	Change (%)	Main reasons for change
Sales	10,641	15,040	4,398	41.3%	
Gross Margin	1,785	1,986	201	11.3%	Larger sales share of analog and memory products contributed to lowering overall GPM %
Gross Margin (%)	16.8%	13.2%	-3.6%	-	
SGA	2,052	2,321	268	13.1%	NSM joined the Group in May 2006
Operating Income	-267	-334	-67	-	
Operating Income (%)	-2.5%	-2.2%	0.3%	-	
Ordinary Income	-59	-281	-221	-	In 2006, there was extraordinary income of ¥112M, which reduced the amount of loss from operation
Net Income	-30	-275	-245	-	

FY2007 Q3 Results Reporting

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2007Q3 Results: Balance Sheet (Consolidated)

	(Million yen)	06Q3	07Q3	Change	Main reason for change
Assets	Cash and Equivalent	3,686	3,060	-626	Decreased due to return of loans and dividend payouts
	Account Receivable	3,881	4,077	196	
	Inventory	2,649	2,217	-431	
	Other Current Assets	330	587	257	
	Fixed Assets	1,256	1,118	-137	
Asset Total		11,804	11,062	-741	
Liabilities & Equity	Account Payable	1,097	1,032	-64	
	Short-term Loans	1,184	1,000	-184	
	Other Current Liabilities	472	496	23	
	Fixed Liabilities	369	337	-31	
	Net Equity	8,680	8,195	-484	Decreased due to loss from operation and dividend payouts
Liabilities & Equity Total		11,804	11,062	-741	

FY2007 Q3 Results Reporting

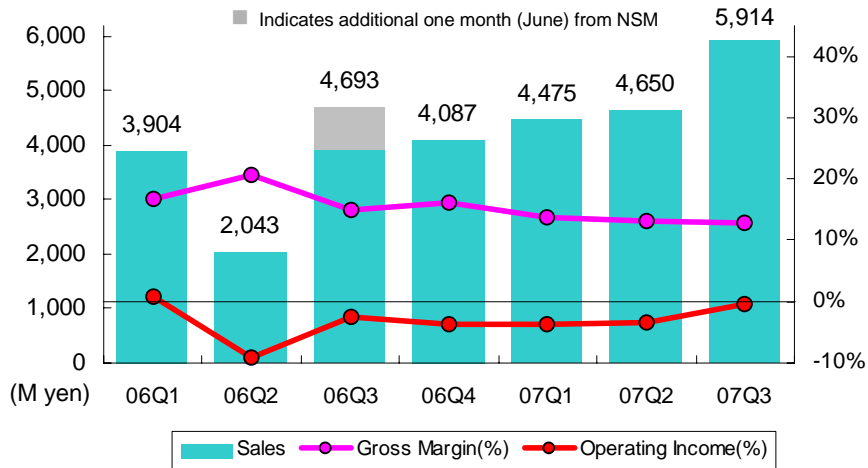
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Sales and Operating Income History (consolidated)

- Revenue increased due to large contribution from one large analog project
- Gross margin fell slightly due to product mix
- Almost hit the break-even point for OP thanks to sales increase and cost control



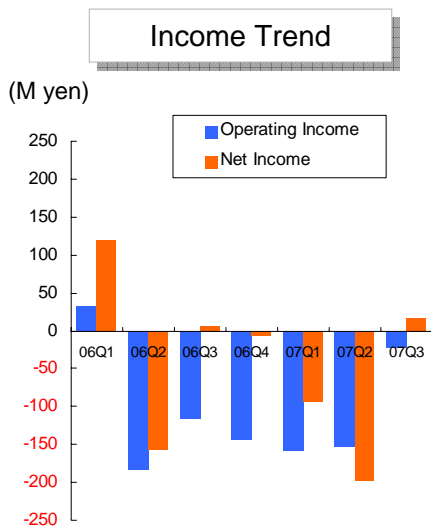
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Quarterly Income Trend (consolidated)



Income trend

[Operating Income]

- Change in PLD supplier caused decline in revenue and operating loss since Q1 of 2006
- Almost hit the break-even point for OP in Q3 of 2007 thanks to recovery in revenue
- Aggressive cost control realized low-cost operation

[Net Income]

- Q3 of 2007 produced net income due to exchange rate gains and sales of security notes

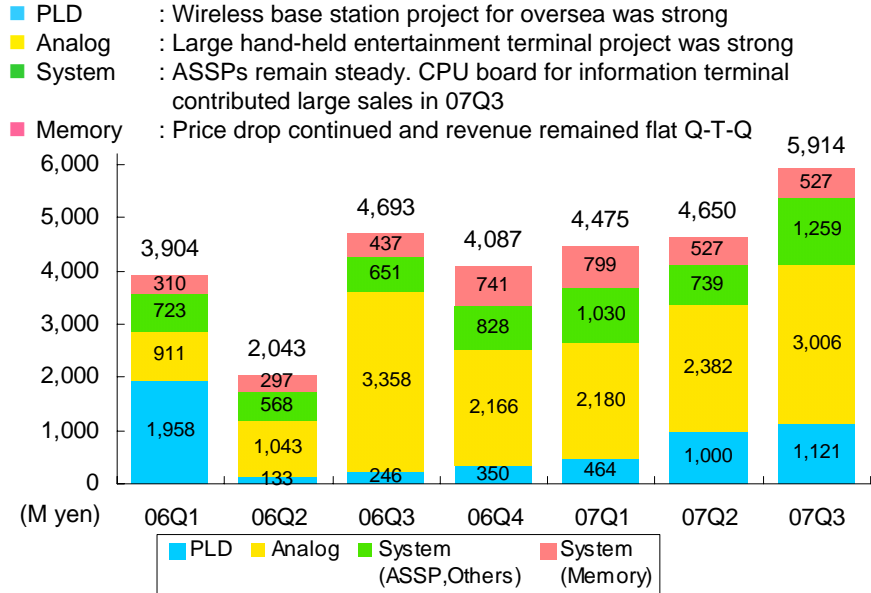
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Sales History by Solution Category (consolidated)



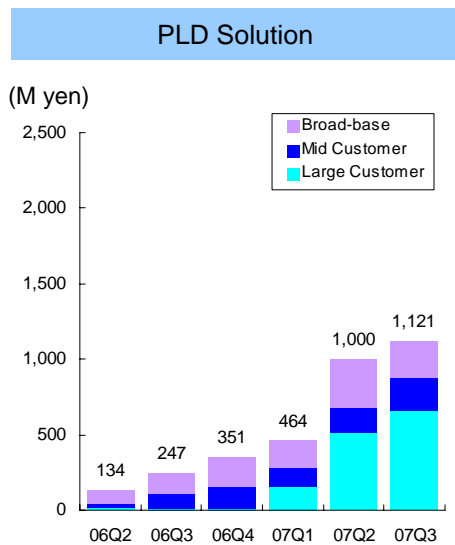
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Sales History for PLD Solution



Results of the 3rd Quarter

- Sales is expanding thanks to business dealing with one large customer since Q1 of 2007, especially from its wireless base station project
- For mid-size customers, new design-win projects, which obtained in 2006, started production in 2007
- The number of broad-base customers are increasing. Currently, sales is largely impacted by some large projects

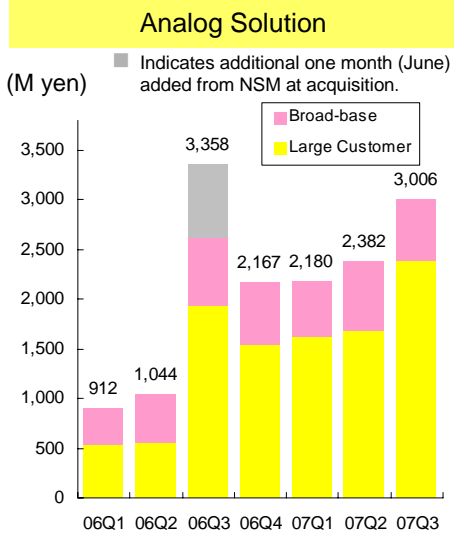
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Sales History for Analog Solution



Results of the 3rd Quarter

- Large hand-held entertainment terminal project contributed increase in sales
- Demand from one large customer remains weak
- Other broad-base customers remain flat

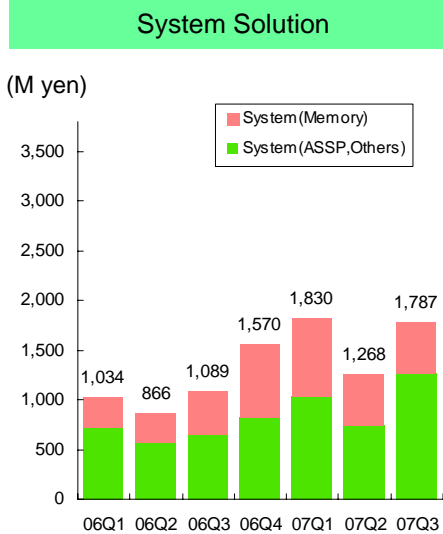
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Sales History for System Solution



Results of the 3rd Quarter

- ASSP products are growing steadily
- CPU board for information terminal project had large contribution in sales
- Sales from memory was flat. Price drop continues.

FY2007 Q3 Results Reporting

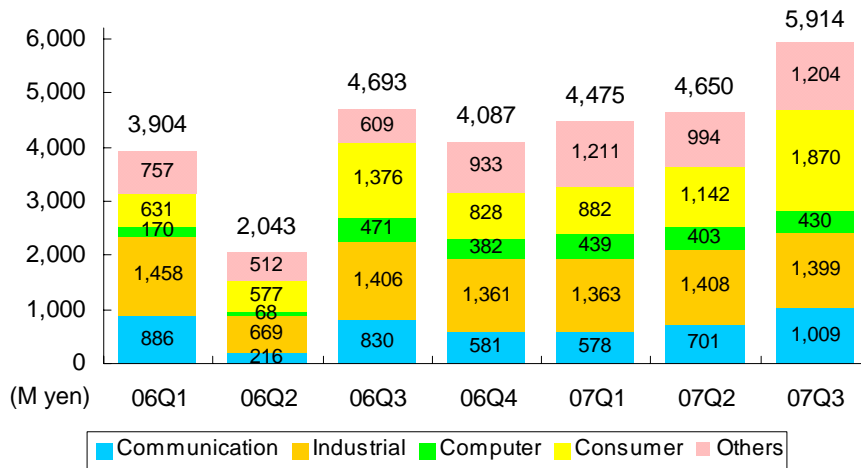
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Sales History by Application Category (consolidated)

- Communication : Wireless base station project using PLD was strong
- Consumer : Large increase from hand-held terminal contributed growth



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FY2007 Guidance

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FY2007 Guidance (consolidated)

Guidance as of August 9th, 2007

(Million yen)	Guidance as of February 9th			First Half Actual and Current Guidance		
	H1	H2	FY2007	H1	H2	FY2007
Sales	9,200	12,300	21,500	9,125	12,274	21,400
Gross Margin	1,227	1,838	3,065	1,226	1,611	2,838
SGA	1,665	1,715	3,380	1,538	1,580	3,118
Operating Income	-438	123	-315	-311	31	-280
Operating Income (%)	-4.8%	1.0%	-1.5%	-3.4%	0.1%	-1.3%
Ordinary Income	-458	88	-370	-267	5	-262
Net Income	-283	53	-230	-291	20	-271

FY2007 Q3 Results Reporting

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FY2007 Guidance (consolidated)

Guidance as of August 9th, 2007 (No Change)

(Million yen)	First Half Actual and Current Guidance		
	H1	H2	FY2007
Sales	9,125	12,274	21,400
Gross Margin	1,226	1,611	2,838
SGA	1,538	1,580	3,118
Operating Income	-311	31	-280
Operating Income (%)	-3.4%	0.1%	-1.3%
Ordinary Income	-267	5	-262
Net Income	-291	20	-271

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Guidance

Sales

- Demands from some large projects are the keys
 - PLD : Within initial estimation
 - Analog : Demand forecast of one large project looks weak
 - System : Slightly better than initial estimate

Gross Margin

- Within estimation

Expense

- Continue to focus on low-cost operation

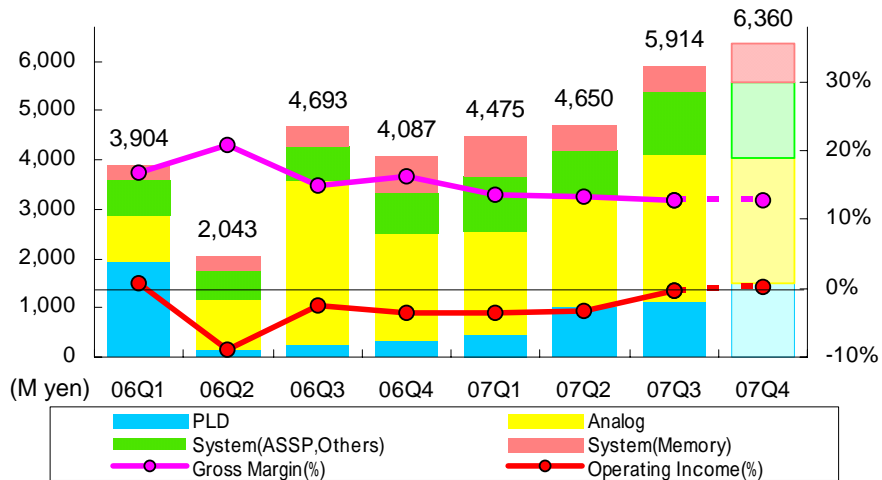
Operating Income

- Return to produce profits in the 2nd half of this year



Sales History by Solution Category (consolidated)

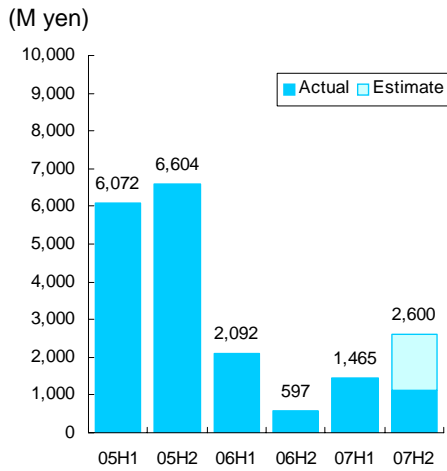
- PLD and System Solutions are largely within initial estimate
- Analog Solution will largely depend on demand from one large project





Business Strategy: PLD Solution

PLD Solution



FY2007 Guidance

- One large project of large customer remains strong in Q4
- New design-win projects at mid-size customers will start production and contribute to revenue
- Broad-base customers are increasing

Business Strategy

- Increase market share at large and mid-size customers by focusing on system-based solution
- Mass marketing promotions using website, newsletters and seminars are contributing increase of broad-base customers

FY2007 Q3 Results Reporting

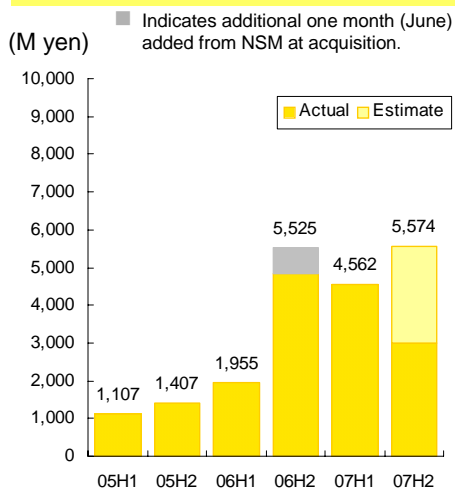
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Business Strategy: Analog Solution

Analog Solution



FY2007 Guidance

- Production volume of one large project looks reduced
- Largely flat for broad-base customers

Business Strategy

- For large OEM customers, focus on large projects and increase market share by system-based proposals
- Strengthen sales activities among PALTEK's broad-base customers

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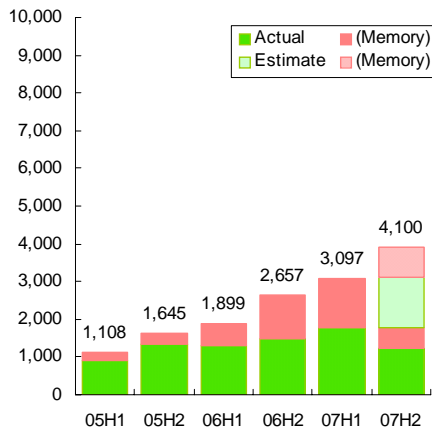
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Business Strategy: System Solution

System Solution

(M yen)



FY2007 Guidance

- Sales increase expected from ASSP for communication application
- Memory business is largely dependent on price trend

Business Strategy

- ASSP: Increase design-win projects
- Memory: Increase customer base



SOLUTION SUPPLIER
PALTEK

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For the Future Growth



For the future growth



PALTEK Original Evaluation Board

[DSP Solution Evaluation Board]

- Developed DSP solution board using Xilinx's industry leading FPGA
- The goal is to realize ultra-high speed DSP solution targeting next generation wireless communication and high-end image processing
- Deliver flexible and high-specification enabling solutions by using FPGA



Evaluation Board



Enabled to connect to Texas Instruments' DSP development kit



For the future growth

	2006	2007	2008
Goals	Maintenance of competitive edges and reconstruction for recovery	Recovery of business scale and investment for the future	Transformation to profitable growth
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Reference



Definitions of Applications

Category	Main End Products
Communication	Applications for communication infrastructure and Broadband Switching, Terminal, Gateway, Routing/IP, Wireless Access
Industrial	Digital broadcasting equipments, medical equipments, factory automation equipment , measurement equipments and other professional equipments
Consumer	Mobile phone handsets, DSCs, audios and game consoles, flat TVs, other home entertainment devices
Data Processing /Computer	PC, laptops, servers, printers, computer peripheral devices, storage and imaging devices including printers and projectors.