

(Translation)

Stock code: 7587

March 8, 2007

PALTEK CORPORATION

2-3-12 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa

Notice of the 25th Annual General Meeting of Shareholders

Dear Shareholders,

We cordially invite you to attend the 25th Annual General Meeting of Shareholders of PALTEK CORPORATION, to be held as per the schedule below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or by electronic method (via the Internet, etc.). Please access the Company's voting rights website (<http://www.evotep.jp/>) and exercise your voting rights no later than by 5:20 p.m. Friday, March 23, 2007 after reviewing the General Shareholders' Meeting Reference Materials which is posted on the website. To vote in writing, please complete the Form for Exercising Voting Rights enclosed herewith indicating your consent/dissent and return it to us to arrive by 5:20 p.m. Friday, March 23, 2007.

To vote via the Internet, please refer to the "Points to Note Regarding Online Voting by Shareholders" described hereinafter (page 19-20).

Sincerely,

Tadahito Takahashi
President

Meeting Details

- 1) **Date and Time:** 1:00 p.m. on Saturday, March 24, 2007
- 2) **Location:** PALTEK CORPORATION Head Office, Seminar Room,
2-3-19 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa

3) Meeting Agenda:

Items to be reported:

1. The Business Report and consolidated Financial Statements for the Company's 25th business term (from January 1 to December 31, 2006), in addition to audit reports on the consolidated financial statements by independent accountants and by the Board of Corporate Auditors of PALTEK CORPORATION.
2. The financial Statements for the Company's 25th business term (from January 1, to December 31, 2006)

Items to be resolved:

- Item 1:** Appropriation of retained earnings
- Item 2:** Partial Amendments to the Articles of Incorporation
- Item 3:** Appointment of five directors
- Item 4:** Appointment of three corporate auditors
- Item 5:** Provision of retirement benefits to retiring corporate auditors

4) Voting at the Meeting

(1) Procedures for proxy voting

If you choose to exercise your voting rights through a proxy, one another shareholder who has voting rights may attend a general meeting of shareholders as your proxy. Please note, however, that a document proving power of attorney needs to be submitted.

(2) Any changes made to the General Shareholders' Meeting Reference Materials, Business Report, consolidated and the Parent Company's financial statements, will be posted on the website of the Company (<http://www.paltek.co.jp/>).

Please submit your Form for Exercising Voting Rights at the reception on the day of the Annual General Meeting of Shareholders.

(This English translation is an abridged version of the original invitation notice in Japanese. In event of any discrepancies, the Japanese version shall prevail.)

General Shareholders' Meeting Reference Materials

Item 1: Appropriation of retained earnings for the 25th business term

We propose to appropriate retained earnings as follows:

1. Items concerning year-end dividends

The PALTEK group recognizes that providing value to shareholders is one of management's primary concerns. Accordingly, its basic policy on dividends will be to continue to make payouts that are appropriate in light of its needs to build a strong operating foundation and to finance future business initiatives.

With respect to dividend payouts, the Company will maintain a dividend of ¥10 per share. The Company will use this as the baseline and will decide on any future changes by taking into consideration the appropriateness of its dividend payout ratio in relation to consolidated and parent company earnings.

The financial results for this fiscal year are as described in the Business Report, and we request that the year-end dividend for the 25th business term be as follows:

(1) Type of dividend assets

We will pay in cash.

(2) Item concerning allocation of dividend assets and the total amount

We propose the year-end dividend, of ¥10 per common share of the Company.

The total amount of dividends will be ¥116,609,520.

(3) Effective date for commencement of dividend payment from retained earnings

We propose the effective date for commencement of dividend payment to be March 26, 2007.

Proposal of amendments to the Article of Incorporation

Item 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendments

Amendments to the current Articles of Incorporation are proposed for the following reasons. The comparison of current and proposed Articles of Incorporation as well as reasons for amendments to each amended provision are given in the table below.

- (1) Changes in the purposes of the Company are proposed in view of the current situation and prospective expansion of its business.
- (2) In accordance with enforcement of the Corporate Law (Law No.86 of 2005) and the Law concerning to the Coordination, etc. of Associated Laws in Connection with the Enforcement of the Corporate Law (Law No.87 of 2005, hereinafter ‘Seibi-ho’) effective May 1, 2006, changes as well as establishments of new articles for matters which become possible to take up if they are stipulated so in these Articles of Incorporation are made.
- (3) Provisions which are deemed, in accordance with the ‘Seibi-ho,’ to be stated under these Articles of Incorporation without having a resolution at a General Meeting of Shareholders, from the date of the enactment of the Corporate Law were changed.
- (4) Changes in cited provisions, expressions and terminologies in response to the enactment of the Corporate Law were made.
- (5) Changes in the numbering of articles accompanying the addition of provisions and partial rearrangements of words and phrases were made.

2. Contents of the Amendments

The amended portions are underlined in the table (*). In the column of Reasons, the ‘Seibi-ho’ is referred to as the “Law concerning to the Coordination, etc. of Associated Laws in Connection with the Enforcement of the Corporate Law.”

() Please note that, in some portions, although in Japanese text underlines are given, the English text may not have correspondent underlines if the current wording in English accurately reflects the meaning of amended Japanese.*

Current Articles of Incorporation	Proposed Amendments	Reasons
<p style="text-align: center;">Chapter I. General Provisions</p> <p>Article 1. (Trade Name)</p> <p>1. The name of the Company shall be Kabushiki Kaisha PALTEK and shall appear on the commercial register in such name.</p> <p>2. The Company shall be called PALTEK CORPORATION in English.</p>	<p style="text-align: center;">Chapter I. General Provisions</p> <p>Article 1. (Trade Name) (Unchanged)</p>	

Current Articles of Incorporation	Proposed Amendments	Reasons
<p>Article 2. (Purposes) The purposes of the Company shall be to engage in the following businesses:</p> <p>(1) import and export, manufacture and sale of semiconductors;</p> <p>(2) <u>rendering of services for the input and output of computer data and data research;</u></p> <p>(3) <u>provision of information management and processing;</u></p> <p>(4) <u>sale of computers, development of software and design of systems;</u></p> <p>(5) consulting services for management of a company;</p> <p>(6) various market research businesses;</p> <p>(7) <u>design and sale of communication equipment;</u></p> <p>(8) <u>sale, brokerage, lease and management of real estates;</u></p> <p>(9) <u>casualty insurance agency business;</u></p> <p>(10) <u>research of various information on corporate and provision of such information;</u></p> <p>(11) <u>business for travel planning, provision of travel information and travel agency;</u></p> <p>(12) advertisement business;</p> <p>(13) printing and publications business;</p> <p>(14) <u>design, production and sale of computer input data;</u></p> <p>(15) <u>operation and management business for computer data processing;</u></p> <p>(16) <u>research, study, education and consulting of computer data processing; and</u></p> <p>(17) any and all businesses incidental to any of the preceding items.</p>	<p>Article 2. (Purposes) The purposes of the Company shall be to engage in the following businesses:</p> <p>(1) import and export, <u>design, development, manufacture and sale of semiconductors, electronic parts, electronic equipment and communication equipment;</u></p> <p>(2) <u>development, system design, manufacture and sale of computers, their peripheral equipment and apparatus and software;</u></p> <p>(3) <u>development, acquisition, assignment and licensing of industrial properties, copy rights, software and design assets;</u></p> <p>(4) <u>research, study, education and consulting of design of semiconductors, electronic equipment and communication equipment;</u></p> <p>(5) consulting business <u>concerning</u> management of a company;</p> <p>(6) <u>acquisition, research and provision of various information on markets, corporate and products;</u></p> <p>(7) <u>provision of various information through the Internet, etc.;</u></p> <p>(8) <u>examination of design-related data concerning semiconductors, electronic equipment and communication equipment;</u></p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(9) advertisement business;</p> <p>(10) printing and publication business;</p> <p>(11) <u>workers dispatching business;</u> and</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(12) any and all businesses incidental to any of the preceding items.</p>	<p>Changes are made in order to put the business purposes in place and to prepare for the diversification and prospective expansion of the Company business.</p>
<p>Article 3. (Location of Head Office) The Company shall have its head office in Yokohama City, Kanagawa Prefecture.</p>	<p>Article 3. (Location of Head Office) (Unchanged)</p>	
<p>Article 4. (Method of Public Notices) Public notices of the Company shall be <u>published</u> in the Nihon Keizai Shimbun.</p>	<p>Article 4. (Method of Public Notices) Public notices of the Company shall be <u>given by means of publication</u> in the Nihon Keizai Shimbun.</p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 939 of the Corporate Law.)</p>
<p style="text-align: center;">Chapter II. Shares</p> <p>Article 5. (Total Number of Shares <u>to be Issued</u>) The total number of shares <u>to be issued</u> by the Company shall be twenty-three million five hundred and sixty-two thousand (23, 562,000) shares.</p>	<p style="text-align: center;">Chapter II. Shares</p> <p>Article 5. (Total Number of Shares <u>Issuable</u>) The total number of shares <u>issuable</u> by the Company shall be twenty-three million five hundred and sixty-two thousand (23, 562,000) shares.</p>	<p>Terminologies are changed in order to be in line with those used in the Corporate Law (Article 98 of the Corporate Law.)</p>
<p>Article 6. (Number of Shares Constituting One Share Unit)</p> <p>1. The number of shares constituting one share unit of the Company shall be one hundred (100) shares.</p> <p>2. <u>The Company shall not issue any share certificate for shares constituting less than one share unit (hereinafter, the “Shares Constituting Less Than One Share Unit”); unless otherwise provided for in the Share Handling Rules.</u></p>	<p>Article 6. (Number of Shares Constituting One Share Unit)</p> <p>The number of shares constituting one share unit of the Company shall be one hundred (100) shares.</p> <p>(Deleted)</p>	<p>Terminologies are changed in order to be in line with those used in the Corporate Law (Article 2, Paragraph 20) and at the same time, Clause 2 of Article 6 (Current Article of Incorporation) is transferred to Clause 2 of the Article 7 (proposed Amendment)</p>

Current Articles of Incorporation	Proposed Amendments	Reasons
(Newly Added)	<p>Article 7. (Issuance of Share Certificates)</p> <ol style="list-style-type: none"> <u>The Company shall issue share certificates for its shares.</u> <u>Notwithstanding the preceding Paragraph, the Company may at its option determine not to issue any share certificate for shares constituting less than one share unit; unless otherwise provided for in the Share Handling Rules.</u> 	<p>Pursuant to a deemed provision, an article for the issuance of share certificates is newly established and at the same time, Clause 2 of Article 6 (Current Article of Incorporation) is transferred as the Clause 2 of Article 7 (proposed Amendments). In addition, expressions are changed in order to be in line with those used in the Corporate Law (Article 76, Paragraph 4 of the ‘Seibi-ho’, and Article 214 and Article 189, Paragraph 3 of the Corporation Law.)</p>
<p>Article 7. (Additional Purchase by Shareholders of Shares Less Than One Share Unit)</p> <ol style="list-style-type: none"> Any shareholder holding Shares Constituting Less Than One Share Unit (including beneficial shareholders and hereinafter the same) is entitled to request the Company to sell to the shareholder the number of shares necessary to constitute one share unit in combination with the number of such Shares Constituting Less Than One Share Unit (hereinafter referred to as the “Request for Additional Purchase”), except where the Company does not have shares to meet the request. The timing and method for the Request for Additional Purchase shall be governed by the provisions of the Share Handling Rules. 	<p>Article 8. (Additional Sale of Shares to Shareholders of Shares Less Than One Share Unit)</p> <ol style="list-style-type: none"> Any shareholder holding Shares Constituting Less Than One Share Unit (including beneficial shareholders and hereinafter the same) is entitled to request the Company to sell to the shareholder the number of shares necessary to constitute one share unit in combination with the number of such Shares Constituting Less Than One Share Unit (hereinafter referred to as the “Request for Additional Sale”), except where the Company does not have shares to meet the request. (Unchanged) 	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 194, Paragraph 1 of the Corporate Law.)</p>
<p>Article 8. (Transfer Agent)</p> <ol style="list-style-type: none"> The Company shall have a <u>transfer agent with respect to its shares.</u> The <u>transfer agent</u> and its handling office shall be selected by resolution of the Board of Directors. The register of shareholders (including the register of beneficial shareholders and hereinafter the same) and the register of lost share certificates of the Company shall be kept at the <u>transfer agent's handling office and the registration of transfer of shares, registration of pledge, indication of trust assets, non-possession of share certificates, various notification to be made by shareholders, re-issuance of share certificates, acceptance of a notice concerning beneficial shareholders, preparation of the register of beneficial shareholders, purchase and sale of Shares Constituting Less Than One Share Unit, registration of lost share certificates and any other matters relating to shares shall be handled by the transfer agent and shall not be handled by the Company.</u> 	<p>Article 9. (Administrator of Shareholders’ Register)</p> <ol style="list-style-type: none"> The Company shall have an <u>administrator of shareholders’ register.</u> The <u>administrator of shareholders’ register</u> and its handling office shall be <u>designated</u> by resolution of the Board of Directors and <u>public notice thereof shall be given.</u> The register of shareholders (including the register of beneficial shareholders and hereinafter the same), the register of lost share certificates and the <u>register of share acquisition rights</u> of the Company shall be kept at the office of the <u>administrator of shareholders’ register and any entry or recordation into the register of shareholders, the register of lost share certificates and the register of share acquisition rights, purchase and sale of Shares Constituting Less Than One Share Unit and any other matters relating to shares and stock acquisition rights shall be handled by the administrator of shareholders’ register and shall not be handled by the Company.</u> 	<p>Pursuant to a deemed provision, “Transfer Agent” was changed to “Administrator of Shareholders’ Register” and at the same time terminologies are changed in order to be in line with those used in the Corporate Law (Article 80 of the ‘Seibi-ho’ Relevant Laws and Article 123 of the Corporate Law.)</p>

Current Articles of Incorporation	Proposed Amendments	Reasons
<p>Article 9. (Share Handling Rules) The denominations of share certificates of the Company, registration of transfer of shares, registration of pledge, <u>indication of trust assets, non-possession of share certificates, various notification to be made by shareholders, re-issuance of share certificates, acceptance of a notice concerning beneficial shareholders, preparation of the register of beneficial shareholders, purchase and sale of Shares Constituting Less Than One Share Unit, registration of lost share certificates</u> and any other matters relating to shares including charges thereof shall be governed by the provisions of the Share Handling Rules determined by the Board of Directors.</p>	<p>Article 10. (Share Handling Rules) The denominations of share certificates <u>issued by the Company, any entry or recordation into the register of shareholders and the register of lost share certificates of the Company, purchase and sale of Shares Constituting Less Than One Share Unit and any other matters relating to shares acquisition rights</u> including charges thereof shall be governed by laws and regulations, these Articles of Incorporations and the Share Handling Rules determined by the Board of Directors.</p>	<p>Terminologies and expressions are changed in order to be in line with those used in the Corporate Law</p>
<p>Article 10. (Closing of the List of Shareholders and Record Date) 1. The Company shall deem that the shareholders <u>(including beneficial shareholders hereinafter the same)</u> with voting rights who are listed or recorded in the register of shareholders as of the end of December each year are entitled to exercise such rights at the Ordinary General Meeting of Shareholders for the relevant fiscal year. 2. In addition to Paragraph 1 hereof, whenever necessary, by giving prior public notice in accordance with resolution of the Board of Directors, the Company may <u>temporarily suspend the alteration of contents of the register of shareholders or determine a new record date.</u></p>	<p>Article 11. (Record Date) 1. The Company shall deem that the shareholders with voting rights who are listed or recorded in the register of shareholders as of the end of December each <u>business</u> year are entitled to exercise such rights at the Ordinary General Meeting of Shareholders for the relevant business year. 2. In addition to Paragraph 1 hereof, whenever necessary, by giving prior public notice in accordance with resolution of the Board of Directors, the Company may determine a new record date.</p>	<p>Terminologies and expressions are changed in order to be in line with those used in the Corporate Law (Article 124 of the Corporate Law.)</p>
<p>Article 11. (Acquisition of the Company's Own Shares by Resolution of the Board of Director) In accordance with the provisions of <u>Article 211-3, Paragraph 1, Item 2 of the Commercial Code</u>, the Company may <u>purchase</u> its own shares by resolution of the Board of Directors.</p>	<p>Article 12. (Acquisition of the Company's Own Shares by Resolution of the Board of Director) In accordance with the provisions of <u>Article 165, Paragraph 2 of the Corporate Law</u>, the Company may <u>acquire</u> its own shares by resolution of the Board of Directors.</p>	<p>Cited provisions and expressions are changed in order to be in line with those used in the Corporate Law (Article 165, Paragraph 2 of the Corporate Law.)</p>
<p>Chapter III. General Meeting of Shareholders Article 12. (Convocation) 1. An Ordinary General Meeting of Shareholders of the Company shall be convened in March each year and an Extraordinary General Meeting of Shareholders shall be convened from time to time whenever necessary. 2. <u>Shareholders who are entitled to exercise their voting rights at an Ordinary General Meeting of Shareholders shall be shareholders who are listed or recorded in the final register of each fiscal year.</u></p>	<p>Chapter III. General Meeting of Shareholders Article 13. (Convocation) An Ordinary General Meeting of Shareholders of the Company shall be convened in March each year and an Extraordinary General Meeting of Shareholders shall be convened whenever necessary. (Deleted)</p>	<p>Terminologies and expressions are changed in order to be in line with those used in the Corporate Law (Article 296 of the Corporate Law).</p>
<p>Article 13. (Chairman of the Meeting) The Director and President shall convene a General Meeting of Shareholders and serve as the chairman thereof. If he/she is unable to so act, one of the other Directors shall take his/her place in the order previously determined by resolution of the Board of Directors.</p>	<p>Article 14. (Chairman of the Meeting) (Unchanged)</p>	<p>Renumbering is made with respect to this Article.</p>
<p>Article 14. (Resolution) 1. Unless otherwise provided for by laws and regulations or these Articles of Incorporation, any resolution at a General Meeting of Shareholders shall be adopted by a majority of the voting rights of the shareholders who are present at the Meeting. 2. <u>Special resolutions of a General Meeting of Shareholders</u> shall be adopted by two-thirds (2/3) or more of the voting rights of the shareholders who are present at the Meeting, where those shareholders have one-third (1/3) or more of the voting rights of the <u>total</u> shareholders.</p>	<p>Article 15. (Resolution) 1. Unless otherwise provided for by laws and regulations or these Articles of Incorporation, any resolution at a General Meeting of Shareholders shall be adopted by a majority of the voting rights of the shareholders who are present at the Meeting <u>and are entitled to exercise their voting rights thereat.</u> 2. <u>Unless otherwise provided for by these Articles of Incorporation, resolutions subject to Article 309, Paragraph 2 of the Corporate Law</u> shall be adopted by two-thirds (2/3) or more of the voting rights of the shareholders who are present at the Meeting, where those shareholders have one-third (1/3) or more of the voting rights of the shareholders <u>who are entitled to exercise their voting rights thereat.</u></p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 309, Paragraphs 1 and 2 of the Corporate Law.)</p>

Current Articles of Incorporation	Proposed Amendments	Reasons
<p>Article 15. (Voting by Proxy) A shareholder or his/her legal representative may exercise his/her voting rights through a proxy who has voting rights at the General Meeting of Shareholders. The shareholder or proxy must file with the Company a document evidencing authority of representation at each General Meeting of Shareholders.</p>	<p>Article 16. (Voting by Proxy) 1. A shareholder or his/her legal representative may exercise his/her voting rights through a proxy who shall be <u>one another shareholder of the company</u> with voting rights of the Company. 2. <u>In case of the preceding Paragraph</u>, the shareholder or proxy must file with the Company a document evidencing authority of representation at each General Meeting of Shareholders.</p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law and its Implementation Regulation (Article 310 of the Corporate Law)</p>
<p>Article 16. (Minutes) 1. The substance of proceedings at a General Meeting of Shareholders and the <u>results thereof</u> shall be entered or recorded in the minutes and <u>the chairman and other directors present shall inscribe their names and affix their seals thereon or provide electronic signatures.</u> 2. The original of the minutes shall be kept at the head office of the Company for ten (10) years from the date of the resolution and a copy thereof shall be kept at each branch for five (5) years.</p>	<p>Article 17. (Minutes) 1. The substance of proceedings at a General Meeting of Shareholders, the results thereof <u>and any other matters set forth in laws and regulations</u> shall be entered or recorded in the minutes. 2. (Unchanged)</p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 318, Paragraph 1 of the Corporate Law.)</p>
<p>Chapter IV. Directors and Board of Directors (Newly Added)</p>	<p>Chapter IV. Directors and Board of Directors Article 18. (Establishment of the Board of Directors) <u>The Company shall have the Board of Directors.</u></p>	<p>This Article is newly established pursuant to the provisions of the Corporate Law (Article 326, Paragraph 2 and Article 327, Paragraph 1, Item 1 of the Corporate Law and Article 76, Paragraph 2 of the 'Seibi-ho'.)</p>
<p>Article 17. (Number of Directors) The number of Directors of the Company shall not be more than eleven (11).</p>	<p>Article 19. (Number of Directors) (Unchanged)</p>	
<p>Article 18. (Election of Directors) 1. Directors of the Company shall be elected at a General Meeting of Shareholders by a majority of the voting rights of the shareholders who are present at the Meeting, where those shareholders have one-third (1/3) or more of the voting rights of the <u>total</u> shareholders. 2. The election of directors of the Company shall not be made by a cumulative voting.</p>	<p>Article 20. (Election of Directors) 1. Directors of the Company shall be elected by a resolution of a General Meeting of Shareholders. 2. Directors of the Company shall be elected by a majority of the voting rights of the shareholders who are present at the Meeting, where those shareholders have one third (1/3) or more of the voting rights of the shareholders <u>who are entitled to exercise their voting rights thereat.</u> 3. (Unchanged)</p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 329, Paragraph 1 and Article 341 of the Corporate Law.)</p>
<p>Article 19. (Term of Office of Directors) 1. The term of office of directors of the Company shall expire upon the conclusion of the Ordinary General Meeting of Shareholders relating to the <u>last fiscal year ending</u> within one (1) year following their assumption of office. 2. The term of office of a director elected to fill a vacancy or increase the number of directors shall expire at the time of expiration of the term of office of the other incumbent directors.</p>	<p>Article 21. (Term of Office of Directors) 1. The term of office of directors of the Company shall expire upon the conclusion of the Ordinary General Meeting of Shareholders relating to the <u>last business year ending</u> within one (1) year following their <u>election.</u> 2. The term of office of a director elected to fill a vacancy or increase the number of directors shall expire at the time of expiration of the term of office of the other incumbent directors.</p>	<p>Terminologies and expressions are changed in order to be in line with those used in the Corporate Law (Article 332, Paragraph 1 of the Corporate Law.)</p>
<p>Article 20. (Representative Directors and Directors with Title) 1. The Company shall select, by resolution of the Board of Directors, one President from among its directors. In addition, the Company may elect, if necessary, one or more Vice-Presidents, Senior Managing Directors (senmu) and Managing Directors (jomu), respectively, from among its directors. 2. The President and Director shall represent the Company. 3. The Board of Directors shall by its resolution appoint one or more Representative Directors of the Company.</p>	<p>Article 22. (Representative Directors and Directors with Title) 1. The Company shall select, by resolution of the Board of Directors, one President from among its directors. In addition, the Company may elect, if necessary, one or more Vice-Presidents, Senior Managing Directors (senmu) and Managing Directors (jomu), respectively, from among its directors by resolution of the Board of Directors. 2. The President and Director shall represent the Company. 3. The Board of Directors shall by its resolution appoint one or more Representative Directors of the Company.</p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 362, Paragraph 3 of the Corporate Law.)</p>

Current Articles of Incorporation	Proposed Amendments	Reasons
<p>Article 21. (Board of Directors)</p> <p>1. A meeting of the Board of Directors shall be convened by the President and Director, who shall act as a chairman <u>thereof</u>. If he/she is unable to so act, one of the other directors shall <u>take his/her place</u> in the order <u>previously</u> determined by resolution of the Board of Directors.</p> <p>2. Notice of convocation of a meeting of the Board of Directors shall be dispatched to each director and corporate auditor three (3) days prior to the date of such meeting; provided, however, that such period may be shortened in case of emergency.</p> <p>3. Matters concerning the management of the Board of Directors shall be governed by the Regulations of the Board of Directors established by the Board of Directors.</p>	<p>Article 23. (Convener and Chairman of the Board of Directors)</p> <p>1. <u>Unless otherwise set forth in laws and regulations</u>, a meeting of the Board of Directors shall be convened by the President and Director, who shall act as a chairman thereof. If he/she is unable to so act, one of the other directors shall take his/her place in the order previously determined by resolution of the Board of Directors.</p> <p>2. Notice of convocation of the Board of Directors shall be dispatched to each Director and Corporate Auditor <u>at least three (3) days</u> prior to the date of such meeting; provided, however, that such period may be shortened in case of emergency</p> <p>3. Matters concerning the management of the Board of Directors shall be governed by <u>laws and regulation, or these Articles of Incorporation and the</u> Regulations of the Board of Directors established by the Board of Directors.</p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 366 and 368 of the Corporate Law.)</p>
<p>(Newly Added)</p>	<p>Article 24. (Deemed Resolution of the Board of Directors)</p> <p><u>The Company shall deem that a matter to be resolved by the Board of Directors is duly adopted if all directors who may participate in such resolution express their consent to such matter in writing or by electronic means, except where any corporate auditor expresses objections thereto.</u></p>	<p>This Article is newly established in order to enable the Board of Directors to act flexibly by permitting a resolution in writing as authorized by the Corporate Law (Article 370 of the Corporate Law.)</p>
<p>Article 22. (Remuneration and Retirement Allowance)</p> <p>The remuneration and retirement allowance for directors shall be determined by resolution at a General Meeting of Shareholders.</p>	<p>Article 25. (Remuneration, etc.)</p> <p>The remuneration for directors, <u>annual bonus and other proprietary benefits received from the Company by Directors as consideration for execution of their duties</u> (hereinafter referred to as "Remuneration, etc.") shall be determined by resolution at a General Meeting of Shareholders.</p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 361 of the Corporate Law.)</p>
<p>Article 23. (Limited Liability Agreement with Outside Directors)</p> <p>The Company may, with respect to liabilities of an outside director (<u>as defined in Article 188, Paragraph 2, Item 7-2 of the Commercial Code</u>) for damages under Article 266, Paragraph 1, Item 5 of the Commercial Code, enter into an agreement with him/her to the effect that his/her liability to the Company be <u>limited to</u> the sum as set forth in each Item of Article 266, Paragraph 8 of the Commercial Code, if he/she has acted in good faith and without gross negligence in performing his/her duties.</p>	<p>Article 26. (Limited Liability Agreement with Outside Directors)</p> <p>Pursuant to Article 427, Paragraph 1 of the Corporate Law, the Company may, with respect to liabilities of an outside director for damages under Article 423, Paragraph 1 of the Corporate Law, enter into an agreement with him/her to the effect that his/her liability to the Company be limited to the sum as set forth in each Item of Article 425, Paragraph 1 of the Corporate Law, if he/she has acted in good faith and without gross negligence in performing his/her duties.</p>	<p>Cited provisions and expressions are changed in order to be in line with those used in the Corporate Law (Article 427 of the Corporate Law.)</p>
<p>Article 24. (Exemption of Liabilities of Directors)</p> <p>The Company may, with respect to liabilities of a director (including a former director) for his/her acts under Article 266, Paragraph 1, Item 5 of the Commercial Code, exempt him/her from such liabilities by resolution of the Board of Directors not exceeding the sum <u>as set forth in Article 266, Paragraph 12, 17 and 18 of the Commercial Code</u>, if he/she has acted in good faith and without gross negligence in performing his/her duties.</p>	<p>Article 27. (Exemption of Liabilities of Directors)</p> <p>The Company may, with respect to liabilities of a director (including a former director) for damages under Article 423, Paragraph 1 of the Corporate Law, exempt him/her from such liabilities by resolution of the Board of Directors not exceeding the sum <u>which is obtained by deducting the minimum amount of liability as set forth in Article 425, Paragraph 1 of the Law from the amount he/she is liable to the Company</u>, if he/she has acted in good faith and without gross negligence in performing his/her duties; <u>provided that it is found particularly necessary to so exempt him/her in view of the cause of the damages, the situation where he/she performed his/her duties and any other facts relevant to the circumstances.</u></p>	<p>Cited provisions and expressions are changed in order to be in line with those used in the Corporate Law (Article 426 of the Corporate Law.)</p>

Current Articles of Incorporation	Proposed Amendments	Reasons
<p>Chapter V. Corporate Auditors and Board of Corporate Auditors</p> <p>(Newly Added)</p>	<p>Chapter V. Corporate Auditors and Board of Corporate Auditors</p> <p>Article 28. <u>(Establishment of Corporate Auditors and the Board of Corporate Auditors)</u> <u>The Company shall have corporate auditors and the Board of Corporate Auditors.</u></p>	<p>This Article is newly established pursuant to the provisions of the Corporate Law (Article 326, Paragraph 2 and Article 328, Paragraph 1 of the Corporate Law, and Article 52 and Article 76, Paragraph 2 of 'Seibi-ho'.)</p>
<p>Article 25. (Number of Corporate Auditors) The number of Corporate Auditors of the Company shall not be more than five (5).</p>	<p>Article 29. (Number of Corporate Auditors) (Unchanged)</p>	
<p>Article 26. (Election of Corporate Auditors) Corporate auditors of the Company shall be elected at a General Meeting of Shareholders by a majority of the voting rights of the shareholders who are present at the Meeting, where those shareholders have one-third (1/3) or more of the voting rights of the <u>total</u> shareholders.</p>	<p>Article 30. (Election of Corporate Auditors)</p> <ol style="list-style-type: none"> <u>Corporate auditors shall be elected by resolution at a General Meeting of Shareholders.</u> Corporate auditors of the Company shall be elected at a General Meeting of Shareholders by a majority of the voting rights of the shareholders who are present at the Meeting, where those shareholders have one third (1/3) or more of the voting rights of the shareholders <u>who are entitled to exercise their voting rights thereat.</u> 	<p>Terminologies and expressions are changed in order to be in line with those used in the Corporate Law (Article 329, Paragraph 1 and Article 341 of the Corporate Law.)</p>
<p>Article 27. (Term of Office of Corporate Auditors)</p> <ol style="list-style-type: none"> The term of office of corporate auditors of the Company shall expire upon the conclusion of the Ordinary General Meeting of Shareholders with respect to the <u>last fiscal year ending</u> within four (4) years after their assumption of office. The term of office of a corporate auditor elected to fill a vacancy of another corporate auditor shall expire at the time when the term of office of the retired corporate auditor should expire. 	<p>Article 31. (Term of Office of Corporate Auditors)</p> <ol style="list-style-type: none"> The term of office of corporate auditors of the Company shall expire upon the conclusion of the Ordinary General Meeting of Shareholders with respect to the <u>last business</u> year ending within four (4) years following their election. The term of office of a corporate auditor elected to fill a vacancy of another corporate auditor shall expire at the time when the term of office of the retired corporate auditor should expire. 	<p>Terminologies are changed in order to be in line with those used in the Corporate Law (Article 336, Paragraph 1 of the Corporate Law.)</p>
<p>Article 28. (Full-time Corporate Auditors) The Company shall have one or more full-time corporate auditors <u>who shall be appointed by and from among corporate auditors.</u></p>	<p>Article 32. (Full-time Corporate Auditors) <u>The Board of Corporate Auditors shall elect one or more full-time corporate auditors.</u></p>	<p>Terminologies are changed in order to be in line with those used in the Corporate Law (Article 390, Paragraph 3 of the Corporate Law.)</p>
<p>Article 29. (Board of Corporate Auditors)</p> <ol style="list-style-type: none"> Notice of convocation of a meeting of the Board of Corporate Auditors shall be dispatched to each corporate auditor three (3) days prior to the date of such meeting; provided, however, that such period may be shortened in case of emergency. Matters concerning the <u>management</u> of the Board of Corporate Auditors shall be governed by the Regulations of the Board of Corporate Auditors established by the Board of Corporate Auditors. 	<p>Article 33. (Board of Corporate Auditors)</p> <ol style="list-style-type: none"> Notice of convocation of a meeting of the Board of Corporate Auditors shall be dispatched to each corporate auditor <u>at least</u> three (3) days prior to the date of such meeting; provided, however, that such period may be shortened in case of emergency. Matters concerning the Board of Corporate Auditors shall be governed by <u>laws and regulations, these Articles of Incorporation</u> and the Regulations of the Board of Corporate Auditors established by the Board of Corporate Auditors. 	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 392 of the Corporate Law.)</p>
<p>Article 30. (Remuneration and Retirement Allowance) The remuneration <u>and retirement allowance</u> for corporate auditors shall be determined at a General Meeting of Shareholders.</p>	<p>Article 34. (Remuneration, etc.) The Remuneration, <u>etc</u> for corporate auditors shall be determined at a General Meeting of Shareholders.</p>	<p>Expressions are changed in order to be in line with those used in the Corporate Law (Article 387 of the Corporate Law.)</p>
<p>(Newly Added)</p>	<p>Article 35. <u>(Limited Liability Agreement with Outside Corporate Auditors)</u> <u>Pursuant to Article 427, Paragraph 1 of the Corporate Law, the Company may, with respect to liabilities of an outside corporate auditor for damages under Article 423, Paragraph 1 of the Corporate Law, enter into an agreement with him/her to the effect that his/her liability to the Company be limited to the sum as set forth in each Item of Article 425, Paragraph 1 of the Corporate Law if he/she has acted in good faith and without gross negligence in performing his/her duties.</u></p>	<p>This Article is newly established in order to set forth limited liability agreement with outside corporate auditors (Article 427, Paragraph 1 of the Corporate Law.)</p>

Current Articles of Incorporation	Proposed Amendments	Reasons
<p>Article 31. (Exemption of Liabilities of Corporate Auditors) The Company may, with respect to liabilities of a corporate auditor (including a former corporate auditor) for his/her acts under Article 277 of the Commercial Code, exempt him/her from such liabilities by resolution of the Board of Directors not exceeding the sum as set forth in Article 266, Paragraph 12 of the Commercial Code which is deemed to be replaced by Article 266, Paragraph 18 and applied mutatis mutandis by Article 280, Paragraph 1 of the Commercial Code, if he/she has acted in good faith and without gross negligence in performing his/her duties.</p>	<p>Article 36. (Exemption of Liabilities of Corporate Auditors) The Company may, with respect to liabilities of a corporate auditor (including a former corporate auditor) for damages under Article 423, Paragraph 1 of the Corporate Law, exempt him/her from such liabilities by resolution of the Board of Directors not exceeding the sum which is obtained by deducting the minimum amount of liability as set forth in Article 425, Paragraph 1 of the Law from the amount he/she is liable to the Company, if he/she has acted in good faith and without gross negligence in performing his/her duties; provided that it is found particularly necessary to so exempt him/her in view of the cause of the damages, the situation where he/she performed his/her duties and any other facts relevant to the circumstances.</p>	<p>Cited provisions and expressions are changed in order to be in line with those used in the Corporate Law (Article 426 of the Corporate Law.)</p>
<p>(Newly Added)</p>	<p>Chapter VI. Accounting Auditor Article 37. (Accounting Auditor) The Company shall have an Accounting Auditor (<i>Kaikei Kansanin</i>).</p>	<p>This Article is newly established pursuant to the provisions of the Corporate Law (Article 326, Paragraph 2 and Article 328, Paragraph 1 of the Corporate Law and Article 52 of the ‘Seibi-ho’.)</p>
<p>(Newly Added)</p>	<p>Article 38. (Election of Accounting Auditor) The accounting auditor shall be elected by resolution at a General Meeting of Shareholders.</p>	<p>This Article is newly established in line with the adoption of accounting auditor system (Article 329, Paragraph 1 of the Corporate Law.)</p>
<p>(Newly Added)</p>	<p>Article 39. (Term of Accounting Auditor) 1. The term of the accounting auditor shall expire upon the conclusion of the Ordinary General Meeting of Shareholders relating to the last business year ending within one (1) year following his/her election. 2. If no specific resolution is adopted at the Ordinary General Meeting of Shareholders as referred to in the preceding Paragraph, the accounting auditor shall be deemed to have been re-elected thereat.</p>	<p>This Article is newly established in line with the adoption of accounting auditor system (Article 338, Paragraphs 1 and 2 of the Corporate Law.)</p>
<p>(Newly Added)</p>	<p>Article 40. (Remuneration, etc.) The Remuneration, etc for the accounting auditor shall be determined by the Representative Director under the consent of the Board of Corporate Auditors.</p>	<p>This Article is newly established in line with the adoption of accounting auditor system (Article 399, Paragraphs 1 and 2 of the Corporate Law.)</p>
<p>Chapter VI. Accounts Article 32. (Fiscal Year) The fiscal year of the Company shall commence on January 1 of each year and end on December 31 of the same year and the account settlement date shall be the last day of each business year.</p>	<p>Chapter VII. Accounts Article 41. (Business Year) The business year of the Company shall commence on January 1 of each year and end on December 31 of the same year.</p>	<p>Terminologies are changed in order to be in line with those used in the Corporate Law (Article 124 of the Corporate Law.)</p>
<p>Article 33. (Dividends on Profits) The Company’s dividends on profits shall be paid to the shareholders who are listed or recorded or pledgees who are registered in the latest register of shareholders as of December 31 of each year.</p>	<p>Article 42. (Year-End Dividends) The Company, by resolution at a General Meeting of Shareholders, distributes surplus in cash (hereinafter referred to as the “Year-End Dividends”) to the shareholders or the registered pledgees who are listed or recorded in the latest register of shareholders as of December 31 each year.</p>	<p>Changes are made in order to be in line with the terminologies used in the Corporate Law and for the purpose to articulate expressions.</p>

Current Articles of Incorporation	Proposed Amendments	Reasons
<p>Article 34. (Interim Dividends) The Company may, by resolution of the Board of Directors, distribute moneys as set forth in Article <u>293-5 of the Commercial Code</u> (hereinafter referred to as the “<u>Interim Dividends</u>”) to the shareholders who are listed or recorded <u>or pledgees who are registered</u> in the latest register of shareholders as of June 30 of each year.</p>	<p>Article 43. (Interim Dividends) The Company may, by resolution of the Board of Directors, distribute moneys as set forth in Article <u>454, Paragraph 5 of the Corporate Law</u> to the shareholders or the <u>registered pledgees</u> who are listed or recorded in the latest register of shareholders as of June 30 of each year.</p>	Terminologies and expressions are changed in order to be in line with those used in the Corporate Law (Article 454, Paragraph 5 of the Corporate Law.)
<p>Article 35. (Period of Limitation for Dividends) 1. If any <u>Dividend</u> or Interim Dividend remains unreceived after expiration of full three (3) years from the date of the commencement of payment, the Company shall be exempted from the obligation of paying them. 2. <u>Dividends and Interim Dividends</u> shall bear no interest.</p>	<p>Article 44. (Period of Limitation for Dividends) 1. If any <u>Year-End Dividend</u> or Interim Dividend remains unreceived after expiration of full three (3) years from the date of the commencement of payment, the Company shall be exempted from the obligation of paying them. 2. <u>Unpaid dividends</u> shall bear no interest.</p>	Changes are made in line with the changes in terminologies used in the Corporate Law.

Proposal of appointment of directors

Item 3: Appointment of five directors

As the term of office for all five (5) of the Company's directors will expire at the conclusion of this Annual General Meeting of Shareholders, we request approval for the appointment of five directors.

Brief information on the candidates for Directors is listed below:

Candidate No.	Name and date of birth	Brief background, and position and responsibility in the Company (representative status with other companies, etc.)	Number of shares owned in the Company
1	Tadahito Takahashi October 24, 1948	Oct. 1982 Established PALTEK CORPORATION and appointed President Oct. 1998 Appointed Chairman and Representative Director of Alpha Electronics, Inc. Dec. 1999 Appointed Chairman of Alpha Electronics, Inc. Feb. 2006 President and Representative Director of PALTEK CORPORATION and in charge of Network Solution Division and Silicon Solution Business Division (incumbent) Aug. 2006 Appointed Director of Spinnaker Systems, Inc. (incumbent) Mar. 2007 Appointed Chairman and Representative Director of Alfa Electronics, Inc. (incumbent)	2,558,440
2	Hiroyuki Takasaki September 25, 1946	Sep. 1971 Joined Texas Instruments Japan Ltd. Apr. 1988 Appointed General Manager of Marketing Oct. 1993 Joined Applied Materials Japan, Inc. as Manager of Marketing and Service Aug. 1997 Appointed President of Xilinx Japan, Inc. Feb. 2000 Joined S.C.G. Japan, Inc. as Director Jun. 2000 Joined PALTEK CORPORATION Jan. 2001 Appointed General Manager of Sales Division Mar. 2001 Appointed Director Jan. 2003 Appointed Executive Vice President and Representative Director of PALTEK CORPORATION, and General Manager of PLD Business Division Feb. 2006 Executive Vice President and Representative Director of PALTEK CORPORATION and in charge of PLD Business Division (incumbent) May 2006 Appointed Chairman and Representative Director of NS Microelectronics Co., Ltd. (incumbent) Aug. 2006 Appointed Director of Spinnaker Systems, Inc. (incumbent)	28,700
3	Tadashi Ito October 5, 1949	Apr. 1973 Joined Japan Automobile Research Institute Jul. 1982 Joined Texas Instruments Japan Ltd. Jul. 1990 Appointed Accounting Manager of ASP Business Dept. Mar. 1995 Appointed Controller of ASP Business Dept. Nov. 1998 Appointed Japan Office Manager of Vivid Semiconductor Co., Ltd. Apr. 2000 Appointed Administration Manager of Mattson Technology Center Inc. Jun. 2001 Joined PALTEK CORPORATION Jan. 2002 Appointed Manager of Finance & Legal Group, Operational Service Division Mar. 2003 Appointed Director and General Manager of Operational Service Division, and in charge of Environment (incumbent) Mar. 2005 Appointed Corporate Auditor of Spinnaker Systems, Inc. (incumbent) May 2006 Appointed Director of NS Microelectronics Co., Ltd. (incumbent)	18,700

Candidate No.	Name and date of birth	Brief background, and position and responsibility in the Company (representative status with other companies, etc.)	Number of shares owned in the Company
4	Hajime Yamazaki July 15, 1941	Apr. 1964 Joined Takachiho Koheki Co., Ltd. Feb. 1975 Joined Tokyo Electron Ltd. Apr. 1984 Appointed General Manager of Semiconductor Sales Division Apr. 1986 Appointed Managing Director of newly established Dia Semiconductor Systems Co., Ltd. Feb. 1995 Appointed President Jan. 2002 Appointed Deputy President of Unidux Inc., which absorbed Dia Semiconductor Nov. 2002 Joined Takebishi Electric Sales Corp. Jun. 2003 Appointed Managing Director Feb. 2004 Joined PALTEK CORPORATION Sep. 2004 Appointed General Manager of Digital Consumer Division (incumbent) Mar. 2005 Appointed Director of PALTEK CORPORATION (incumbent)	8,300
5	Masahiko Hirata February 1, 1931	Apr. 1954 Joined Matsushita Electric Industrial Co., Ltd. Nov. 1970 Appointed Director of Victor Company of Japan, Ltd. Jun. 1978 Appointed Managing Director Jun 1980 Appointed Senior Managing Director Feb. 1985 Appointed Director of Matsushita Electric Industrial Co., Ltd. Feb. 1986 Appointed Managing Director Jun. 1987 Appointed Senior Managing Director Jun. 1988 Appointed Executive Vice President Jun. 1993 Appointed Standing Corporate Auditor Mar. 2001 Appointed Director of PALTEK CORPORATION (incumbent)	18,240

(Notes) 1. None of the candidates above has any substantial business interest in the Company that may conflict with the performance of his duties.

2. Mr. Masahiko Hirata is a candidate for outside director.

Proposal of appointment of corporate auditors

Item 4: Appointment of three corporate auditors

The term of office for the Company's Corporate Auditors Mr. Yukio Miura and Mr. Tatsuo Kawasaki will expire at the conclusion of this Annual General Meeting of Shareholders. We request approval for the appointment of three (3) corporate auditors, increasing the number of corporate auditors by one (1) to further strengthen and enhance the auditing system in response to the increased importance of the role of corporate auditors along with the enforcement of the Corporate Law.

We have already obtained the consent of the Board of Corporate Auditors for this proposal.

Brief information on the candidates for corporate auditors is listed below:

Candidate No.	Name and date of birth	Brief background, and position and responsibility in the Company (representative status with other companies, etc.)	Number of shares owned in the Company
1	Yukio Miura March 21, 1948	Oct. 1976 Joined Texas Instruments Japan Ltd. Feb. 1997 Appointed General Manager of Marketing Development Division of Software Business Department Jul. 1997 Appointed General Manager of Sales Marketing Division and Deputy Representative of Japan Sterling Commerce K.K. Jul. 1999 Joined PALTEK CORPORATION Jan. 2000 Appointed General Manager of Administrative Division Mar. 2000 Appointed Director Mar. 2003 Appointed Corporate Auditor (incumbent) May 2006 Appointed Corporate Auditor of Alpha Electronics, Inc. (incumbent) Appointed Corporate Auditor of NS Microelectronics Co., Ltd. (incumbent)	19,800

Candidate No.	Name and date of birth	Brief background, and position and responsibility in the Company (representative status with other companies, etc.)	Number of shares owned in the Company
2	Teruhiko Kyogoku January 27, 1946	Apr. 1969 Joined Matsushita Electric Industrial Co., Ltd. Jul. 1989 Appointed Manager of Uozu Plant of Microcomputer Division of Matsushita Electronics Corporation Feb. 1995 Appointed General Manager of CMT Sales Unit of Color Tube Division of Electronic Tube Department of Matsushita Electronics Corporation Apr. 1996 Appointed General Manager of Display Device Division of Electronic Tube Department of Matsushita Electronics Corporation Aug. 2000 Appointed President of Matsushita Electric Co. (Malaysia) Bhd Sep. 2001 Appointed Senior Planning Executive of Material Procurement Department of Matsushita Electric Industrial Co., Ltd. Jan. 2007 Retired from Matsushita Electric Industrial Co., Ltd.	-
3	Kazuhiko Nishimura February 16, 1947	Feb. 1982 Joined KYOCERA Corporation Feb. 1988 Joined Daini Denden Incorporated (Now KDDI Corporation) Jul. 1988 Appointed Assistant Manager of General Affairs Division of Hokkaido Cellular Phone Co. Ltd. Jan. 1992 Appointed Assistant Manager of Mobile Communication Division of Daini Denden Incorporated Feb. 1992 Appointed Director and General Manager of General Affairs Division of Tuka-Cellular Tokai Inc. Jun. 1996 Appointed Director and General Manager of General Planning Division and Information System Division Jun. 1998 Appointed Managing Director and General Manager of General Planning Division and Information System Division Oct. 1999 Appointed Managing Director and General Manager of Sales Division and Information System Division Jun. 2000 Appointed President and Representative Director Jun. 2002 Appointed Representative of Tu-Ka Cellular Tokyo Inc. Jun. 2003 Appointed Managing Director and Manager of Hokuriku Branch of KDDI CORPORATION	-

- (Notes) 1. None of the candidates above has any substantial business interest in the Company that may conflict with the performance of his duties.
2. Messrs. Teruhiko Kyogoku and Kazuhiko Nishimura are candidates for outside corporate auditors.

Proposal of retirement benefits to retiring officers

Item 5: Provision of retirement benefits to retiring corporate auditors

We propose to provide retirement benefits to Mr. Tatsuo Kawasaki, who is to retire as corporate auditor at the conclusion of this Annual General Meeting of Shareholders, to provide a reasonable reward to him in recognition of his contribution to the Company during his tenure, based on the predefined guideline. We request that the specific amount, time and method of provision, etc. for the retiring corporate auditor be left entirely to the consultation of corporate auditors.

In efforts to improve corporate management systems, the Company resolved to terminate the benefit system for retiring directors and corporate auditors as of March 2005, and, accordingly, ceased to reserve retirement benefit allowances. Therefore, it is proposed that the retiring allowance be granted for services rendered within the term prior to March 2005 since the appointment as a corporate auditor.

A brief profile of the retiring corporate auditor is provided below:

Name	Brief background
Tatsuo Kawasaki	Mar. 2003 Appointed Corporate Auditor of PALTEK CORPORATION (incumbent)

CONSOLIDATED BALANCE SHEET (Supplemental Information)

PALTEK CORPORATION

As of December 31, 2006

(Thousands of yen)

ASSETS

Current assets:	9,700,542
Cash and bank deposits	2,148,622
Notes and accounts receivable	3,966,758
Inventories	3,246,472
Consumption tax receivable	148,951
Deferred tax assets	36,876
Others	153,365
Allowance for doubtful accounts	(504)

Fixed assets:	1,373,764
Tangible fixed assets:	105,759
Buildings	47,399
Vehicle equipment	46
Furniture and fixtures	57,715
Land	598
Intangible fixed assets	116,529
Investments and other assets:	1,151,475
Investment securities	263,658
Deferred tax assets	381,139
Others	513,922
Allowance for doubtful accounts	(7,244)

Total assets	11,074,307
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Figures of less than one thousand yen have been omitted.

CONSOLIDATED BALANCE SHEET (Supplemental Information)

PALTEK CORPORATION

As of December 31, 2006

(Thousands of yen)

LIABILITIES

Current liabilities: **2,020,257**

Notes and accounts payable	1,430,343
Short-term bank loans	95,820
Income taxes payable	127,959
Accrued bonuses	57,212
Others	308,922

Long-term liabilities: **373,312**

Liability for employees' retirement benefits	44,852
Liability for directors' and corporate auditors' retirement benefits	290,187
Others	38,272

Total liabilities 2,393,570

Net assets:

Shareholders' equity:	8,579,998
Capital stock	1,339,634
Capital surplus	2,698,526
Retained earnings	4,672,259
Treasury stock	(130,421)
Valuation and translation gains and losses, etc.:	36,032
Unrealized gains on other marketable securities	36,032
Minority interests	64,705

Total net assets 8,680,736

Total liabilities and net assets 11,074,307

CONSOLIDATED STATEMENT OF INCOME (Supplemental Information)

PALTEK CORPORATION

Year ended December 31, 2006

(Thousands of yen)

Net sales	14,729,321
Cost of sales	12,284,141
Gross profit	2,445,179
Selling, general and administrative expenses	2,857,500
Operating losses	412,320
Non-operating income:	433,958
Interest income	8,022
Dividend income	157
Foreign exchange gain	118,753
Gain on sale of investment securities	81
Interest on refund of consumption tax, etc.	3,457
Amortization of consolidation adjustments	1,355
Gain on revaluation of derivatives	59,517
Fee and commission Income	219,866
Others	22,747
Non-operating expenses:	63,909
Interest expenses	16,523
Provision of allowance for doubtful accounts	7,147
Commission paid	17,913
Loss on assignment of receivables	13,921
Others	8,404
Ordinary losses	42,271
Extraordinary income:	21,940
Gain on sale of fixed assets	28
Reversal of liability for directors' and corporate auditors' retirement benefit	75
Gain on reversal of allowance for doubtful accounts	3,660
Gain on sale of investment securities	18,000
Reversal of guarantee of obligation	176
Extraordinary losses:	35,058
Prior year adjustment loss	10,389
Loss on impairment of fixed assets	17,111
Loss on disposal of fixed assets	4,731
Loss on valuation of investment securities	2,826
Losses before income taxes and minority interests	55,389
Income taxes – current	146,482
Income taxes – deferred	(175,643)
Minority interests in net income of consolidated subsidiaries	10,243
Net losses	36,472

Figures of less than one thousand yen have been omitted.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(Supplemental Information)**

Year ended December 31, 2006

(Thousands of yen)

Thousands of yen; December 31, 2006	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Dec 31, 2005	1,339,634	2,698,526	4,829,522	(130,161)	8,737,521
Changes during the term					
Dividends from retained earnings			(116,614)		(116,614)
Directors' and corporate auditors' bonuses by appropriation of retained earnings			(4,174)		(4,174)
Net income (loss)			(36,472)		(36,472)
Acquisition of own share				(260)	(260)
Other changes during the term (net)					
Total changes during the term			(157,262)	(260)	(157,522)
Balance as of Dec 31, 2006	1,339,634	2,698,526	4,672,259	(130,421)	8,579,998

Thousands of yen; December 31, 2006	Valuation/translation gains (losses)		Minority interests	Total net assets
	Unrealized gains on securities - net	Total valuation/translation gains (losses)		
Balance as of Dec 31, 2005	31,515	31,515	67,619	8,836,656
Changes during the term				
Dividends from retained earnings				(116,614)
Directors' and corporate auditors' bonuses by appropriation of retained earnings				(4,174)
Net income (loss)				(36,472)
Acquisition of own share				(260)
Other changes in non-shareholders' equity items during the term (net)	4,516	4,516	(2,913)	1,602
Total changes during the term	4,516	4,516	(2,913)	(155,920)
Balance as of Dec 31, 2006	36,032	36,032	64,705	8,680,736

Points to Note Regarding Online Voting by Shareholders

1. Handling for the event of the duplicate voting by post and over the Internet:
If you exercise your voting rights in duplicate both by post and via the Internet and the contents of those are different, your voting over the Internet shall prevail.
2. Handling for the event of duplicate voting over the Internet:
If you exercise your voting rights in duplicate via the Internet and the contents of those are different, your last vote via Internet shall prevail.
3. Procedure for exercise of voting rights via the Internet:
If you exercise your voting rights via the Internet, please read and understand carefully the following matters, and exercise your voting rights.
If you will attend the General Meeting of Shareholders, you need not to send the Form for Exercising Voting Rights to us, nor to take procedure for exercise of voting rights via the Internet.

(1) Online voting site and exercising your voting rights

- 1) To exercise your voting rights online, please access the following dedicated website either via your PC or cell phone (i-mode, EZweb or Yahoo! mobile): <http://www.evote.jp/>
This voting website may only be accessed via the Company's website (<http://www.paltek.co.jp>).
However, please be advised that the dedicated website is not operational from 2 a.m. till 5 a.m. every day.
(i-mode, EZweb and Yahoo! are registered trademarks of NTT DoCoMo Inc., KDDI Corporation and Yahoo, Inc. U.S., respectively.)
- 2) Please be aware that, depending on your internet connection and PC environment, you may not be able to use your PC to exercise your voting rights via the online voting site (e.g. if you connect to the internet via a firewall, have anti-virus software installed or use a proxy server).
- 3) To exercise your voting rights via your cell phone, please use one of the following services: i-mode, EZweb or Yahoo! For security reasons, voting is only possible using the internet-enabled cell phones capable of SSL (encrypted) communication.
- 4) Online votes may be cast up to 5:20 p.m. Friday, March 23, 2007. However, we respectfully request that shareholders exercise their voting rights at their earliest convenience.
If you have any questions, please contact the help desk described below.

(2) Exercising your voting rights online

- 1) On the aforementioned voting site, you will be required to input the "Code No. for Exercise of Voting Rights" and the temporary password assigned to you. These are shown on the enclosed voting form. Please follow the instructions on both sides when voting.
- 2) Please be aware that, in order to prevent illegal online access by non-shareholders (spoofing)

and vote tampering, you will be asked to change your temporary password or obtain dedicated electronic authentication (or send data from your cell phone) via the aforementioned voting site.

- 3) You will be notified of a new “Code No. for Exercise of Voting Rights” every time a General Meeting of Shareholders is convened. If you have agreed to receive notice of General Meeting of Shareholders via email, you will retain the same password unless you change it yourself. Please take sufficient care to ensure that your password is not disclosed to anyone.

(3) Fees incurred when accessing the online voting site

You shall be responsible for any fees incurred when accessing the online voting site (dialup connection charges, telephone charges, etc.). Similarly, if voting via cell phone, you will be responsible for any connection charges or other fees arising from the use of your cell phone.

(4) Receiving notice of General Meeting of Shareholders

If you wish to receive notice of General Meeting of Shareholders via email in the future, please use your PC to complete the procedure on the online voting site. (Please note that it is not possible to complete this procedure via your cell phone, nor is it possible to have notice emails sent to a cell phone email address.)

Online Voting Help Desk (telephone inquiries)

Corporate Agency Division

Mitsubishi UFJ Trust and Banking Corporation (transfer agent)

0120-173-027 (available 9:00 – 21:00)

*Please note that this is not the number to call for inquiries regarding shares.