

PALTEK

(JASDAQ:7587)

Fiscal Year 2008 Third Quarter Explanatory Meeting

(English translation of original presentation)

October 30, 2008

 **Agenda**

- 1 Results of FY2008Q3**
- 2 Guidance of FY2008**
- 3 Future Plans**

PAL
TEK

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Results of FY2008Q3

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PAL For the future growth
TEK

	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 	<div style="display: flex; flex-direction: column; align-items: center; justify-content: space-around;"> <div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #002060; margin-right: 5px;"></div> <div style="background-color: #002060; color: white; padding: 5px; border-radius: 5px;">Evolution of solutions</div> <div style="width: 50px; height: 15px; background-color: #002060; margin-left: 5px;"></div> </div> <div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #e91e63; margin-right: 5px;"></div> <div style="background-color: #e91e63; color: white; padding: 5px; border-radius: 5px;">Expansion of customer base</div> <div style="width: 50px; height: 15px; background-color: #e91e63; margin-left: 5px;"></div> </div> <div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #2e7d32; margin-right: 5px;"></div> <div style="background-color: #2e7d32; color: white; padding: 5px; border-radius: 5px;">Strengthen group management</div> <div style="width: 50px; height: 15px; background-color: #2e7d32; margin-left: 5px;"></div> </div> </div>	

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Business Environment

Semiconductor Markets related to PALTEK Group

■ PLD

Major PLD suppliers announced their overall revenue for CY08Q3 was slightly down from the previous quarter, but slightly up for Japanese market.

■ Analog

Mostly down from weak market demand

■ ASSP

Steady growth for Communication and Consumer applications. Need to follow how current weak market condition may influence overall demand

■ Memory

Over-supply market condition continued and the price fell further

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2008Q3 Results (Consolidated, three months ended)

(Million yen)	07Q3	08Q3	Change (M Yen)	Change (%)	Main reasons for change
Net Sales	5,914	5,323	(590)	(10.0%)	Steady growth from PLD and ASSP, but analog is down
Gross Profit	760	767	7	1.0%	Overall GP % improved since contribution from PLD and ASSP, which are higher GP %, increased
Gross Profit (%)	12.9%	14.4%	1.5%	-	
SGA	783	727	(56)	(7.2%)	Over-accumulated retirement fund reserve was adjusted. Low-cost operation continues.
Operating Income	(22)	40	63	-	
Operating Income (%)	(0.4%)	0.8%	1.2%	-	
Ordinary Income	(13)	34	47	-	
Net Income	16	20	4	27.7%	

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2008Q3 Results (Consolidated, nine months ended)

(Million yen)	07Q3	08Q3	Change (M Yen)	Change (%)	Main reasons for change
Net Sales	15,040	15,494	454	3.0%	PLD and ASSP grew nicely
Gross Profit	1,986	2,307	321	16.2%	Overall GP % improved since contribution from PLD and ASSP, which are higher GP %, increased
Gross Profit (%)	13.2%	14.9%	1.7%	-	
SGA	2,321	2,208	(112)	(4.8%)	Over-accumulated retirement fund reserve was adjusted. Low-cost operation continues.
Operating Income	(334)	99	433	-	
Operating Income (%)	(2.2%)	0.6%	2.8%	-	
Ordinary Income	(281)	173	454	-	72M yen gain from exchange rate
Net Income	(275)	76	351	-	

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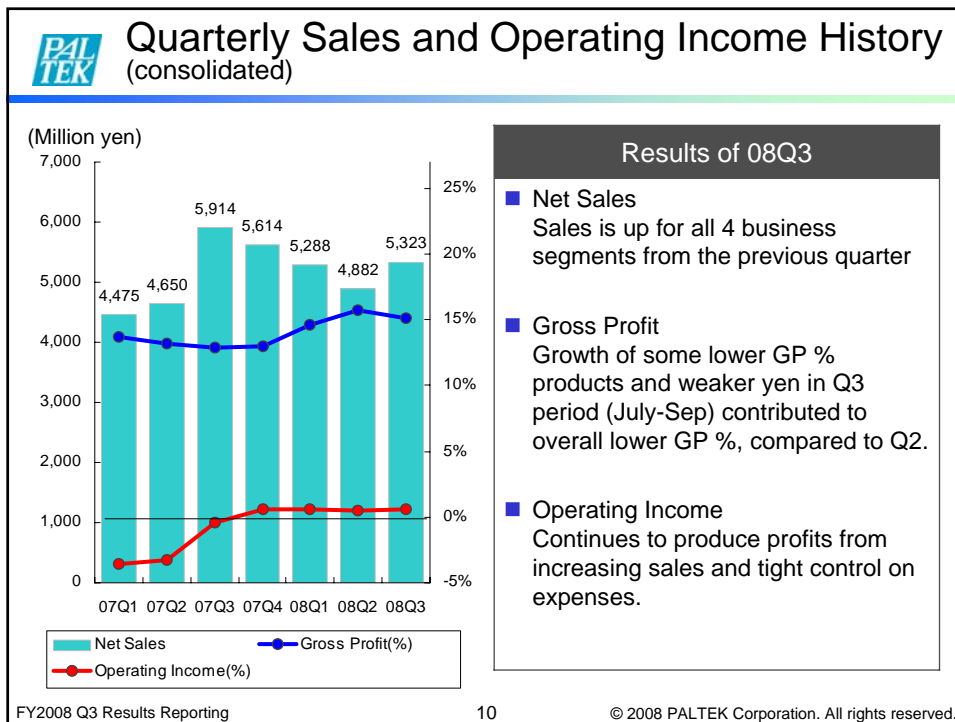
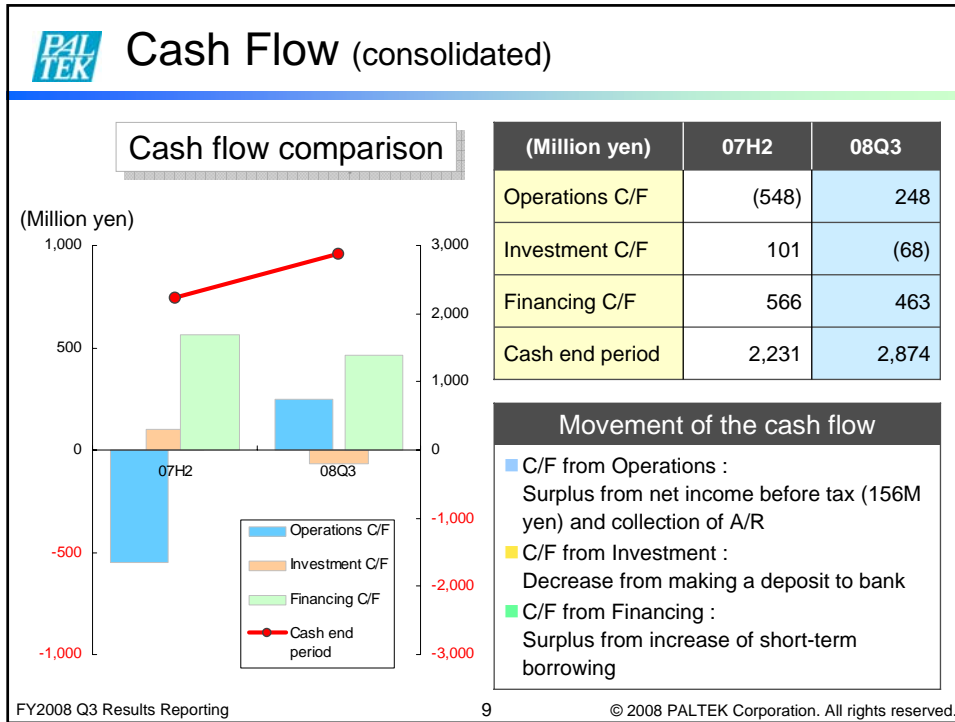
Balance Sheet Results (Consolidated)

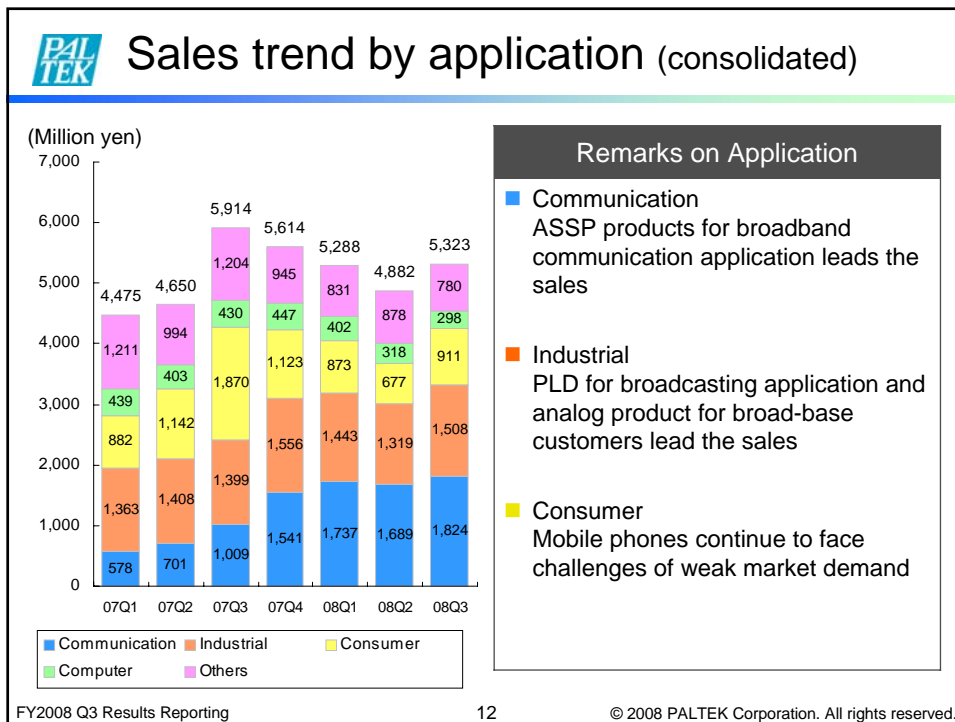
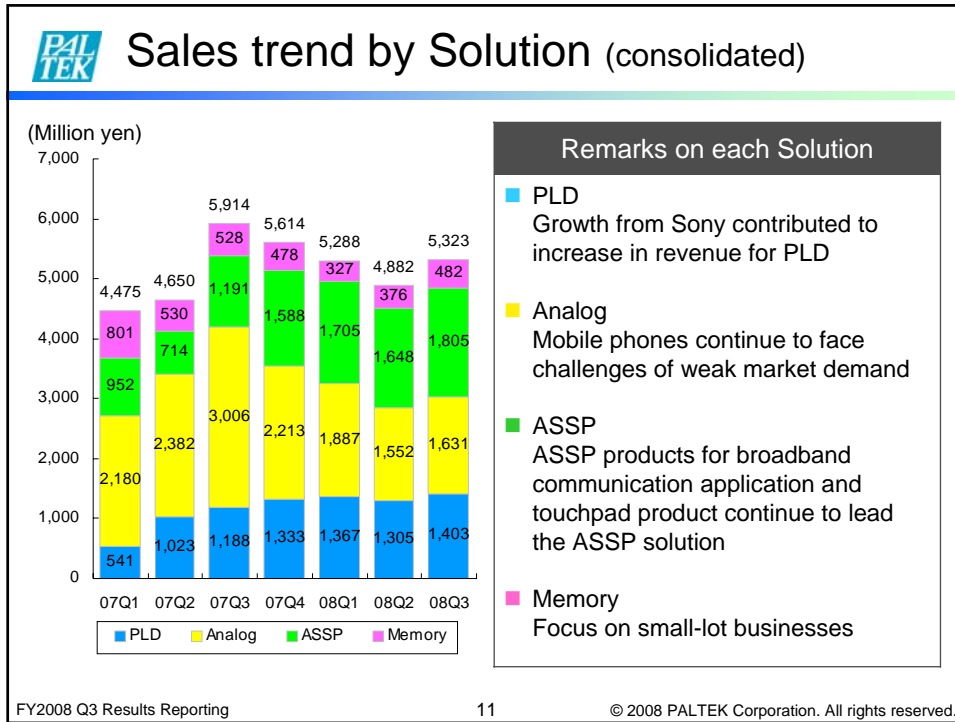
	(Million yen)	07Q3	08Q3	Change (M Yen)	Main reasons for change
Assets	Cash and Equivalent	3,060	2,996	(63)	
	Account Receivable	4,077	4,210	132	
	Inventory	2,217	2,178	(39)	
	Other Current Assets	587	1,000	412	Increase of deferred credits
	Fixed Assets	1,118	807	(311)	Decrease of deferred tax asset
Asset Total		11,062	11,193	130	
Liabilities & Equity	Account Payable	1,032	846	(186)	
	Short-term Loans	1,000	1,360	360	
	Other Current Liabilities	496	511	14	
	Fixed Liabilities	337	320	(17)	
	Net Equity	8,195	8,155	(40)	
Liabilities & Equity Total		11,062	11,193	130	

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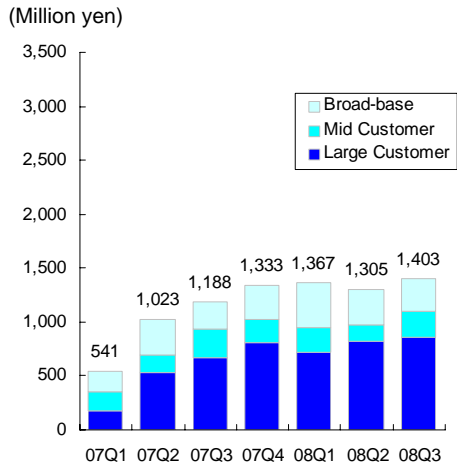
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PALTEK Business Strategy: PLD Solution

PLD Solution



Results of 08Q3

- Large Customers:** Such applications like communication, broadcasting and security, lead the sales
- Mid-size Customers:** Some customers with broadcasting applications lead the sales
- Broad-base Customers:** Mixture of good and bad demand situations depending on customers. All in all, it is expected to be flat Q-t-Q..

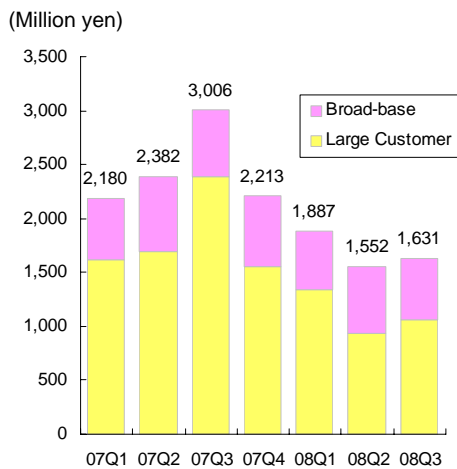
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PALTEK Business Strategy: Analog Solution

Analog Solution



Results of 08Q3

- Large Customers:** Mobile phones continue to face challenges of weak market demand
- Broad-base Customers:** Mixture of good and bad demand situations depending on customers. All in all, it is expected to be flat Q-t-Q.

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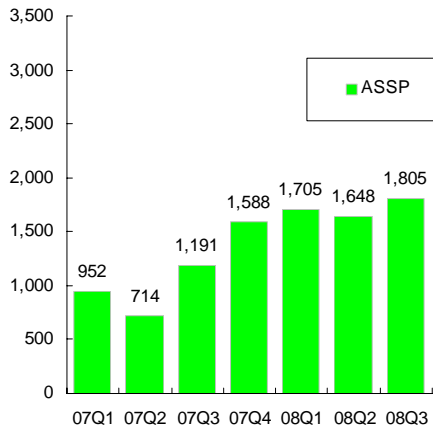
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Business Strategy: ASSP Solution

ASSP Solution

(Million yen)



Results of 08Q3

- ASSP product for broadband communication contributed to steady sales
- ASSP for touch-pad and licenses for the next generation communication infrastructure products contributed to growth for sales

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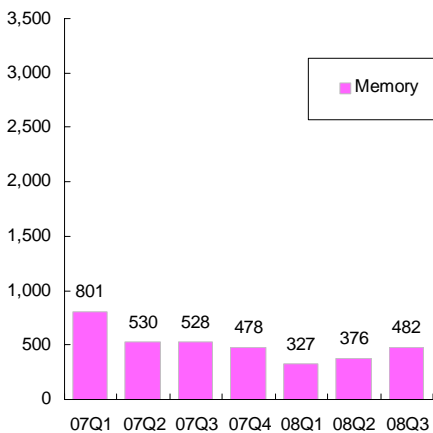
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Business Strategy: Memory Solution

Memory Solution

(Million yen)



Results of 08Q3

- Over-supply market condition continues in DRAM market and the price fell further.
- Will focus on small lot business.

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Guidance of FY2008



Revised Guidance

New guidance was announced on Sep. 26th, after adjusting over-accumulations for retirement fund reserve

- Guidance for sales remains the same

- 42 Million yen decrease from over all expenses
Operating income, ordinary income, and net income were revised and increased accordingly.
 - Based on the terms and provisions of retirement benefits and pension plans for employees, the basis points for the calculations have modified to reflect the current status of the company. This change resulted in decrease of policy reserve for the amount of 42 million yen.

PAL **TEK** FY2008 Guidance

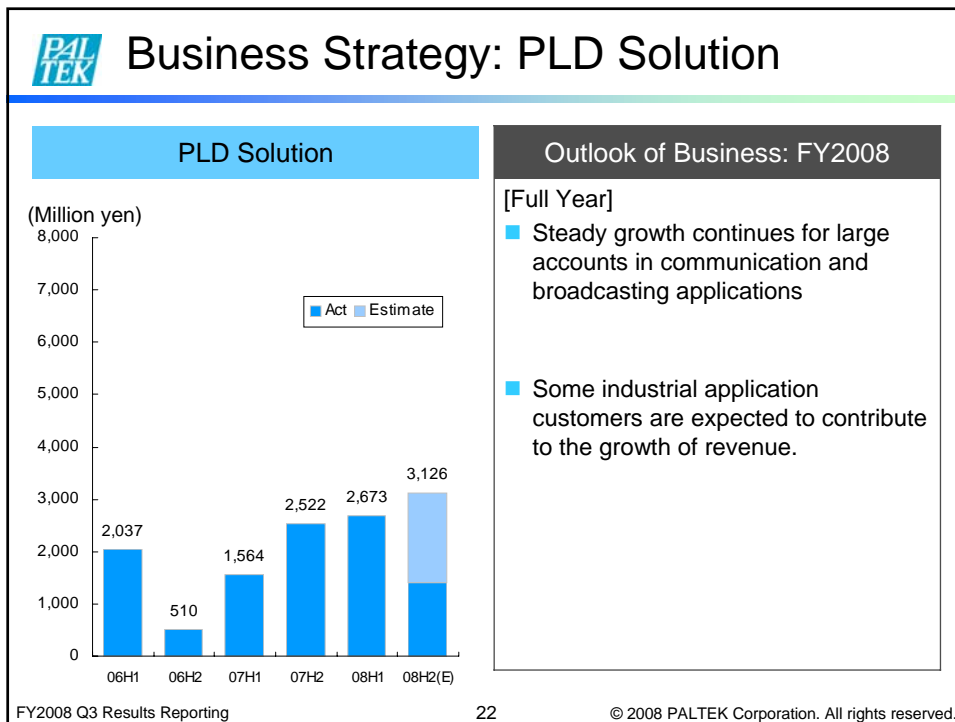
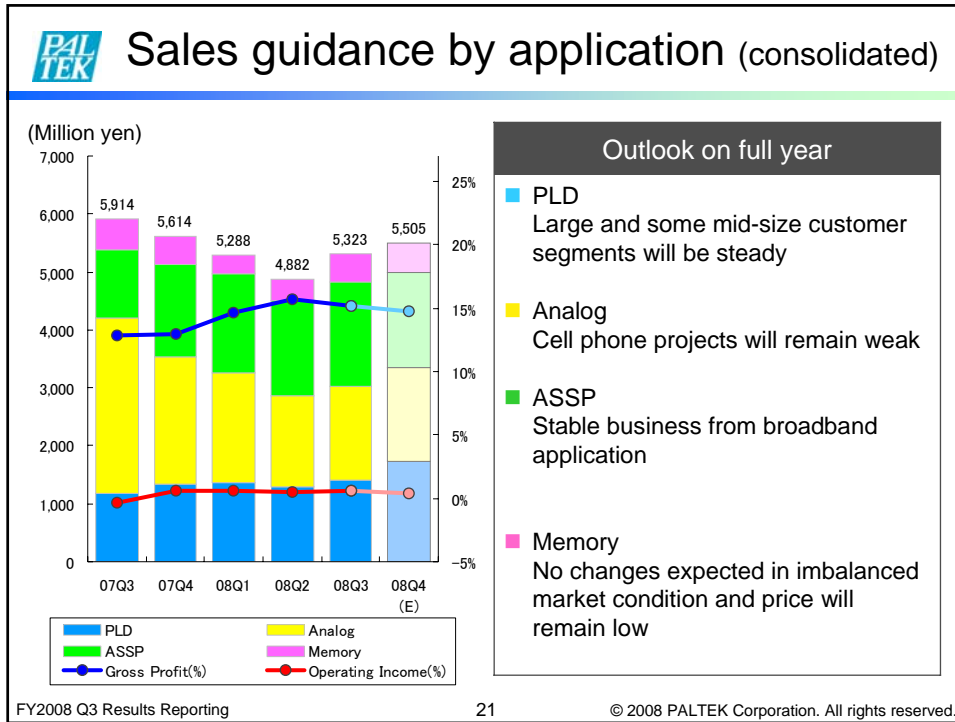
(Million yen)	Guidance on August 11			New Guidance as of September 26		
	H1	H2	Total	H1	H2	Total
Net Sales	10,171	10,828	21,000	10,171	10,828	21,000
Gross profit	1,539	1,600	3,140	1,539	1,600	3,140
SGA	1,481	1,558	3,040	1,481	1,516	2,998
Operating Income	58	41	100	58	83	142
Operating Income(%)	0.6%	0.4%	0.5%	0.6%	0.8%	0.7%
Ordinal Income	139	15	155	139	57	197
Net Income	56	3	60	56	33	90

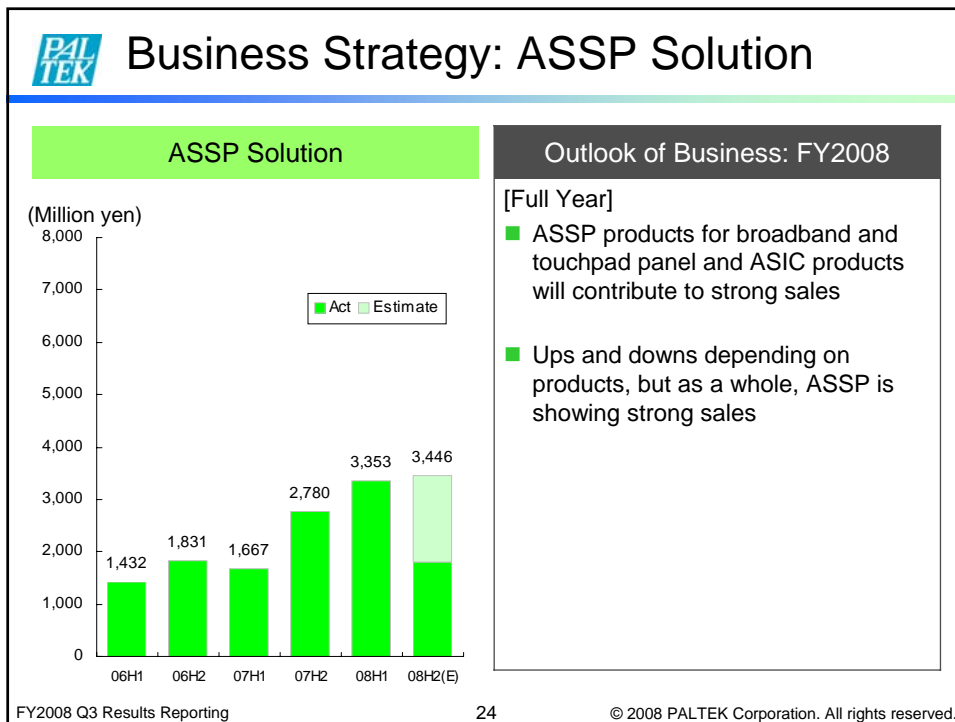
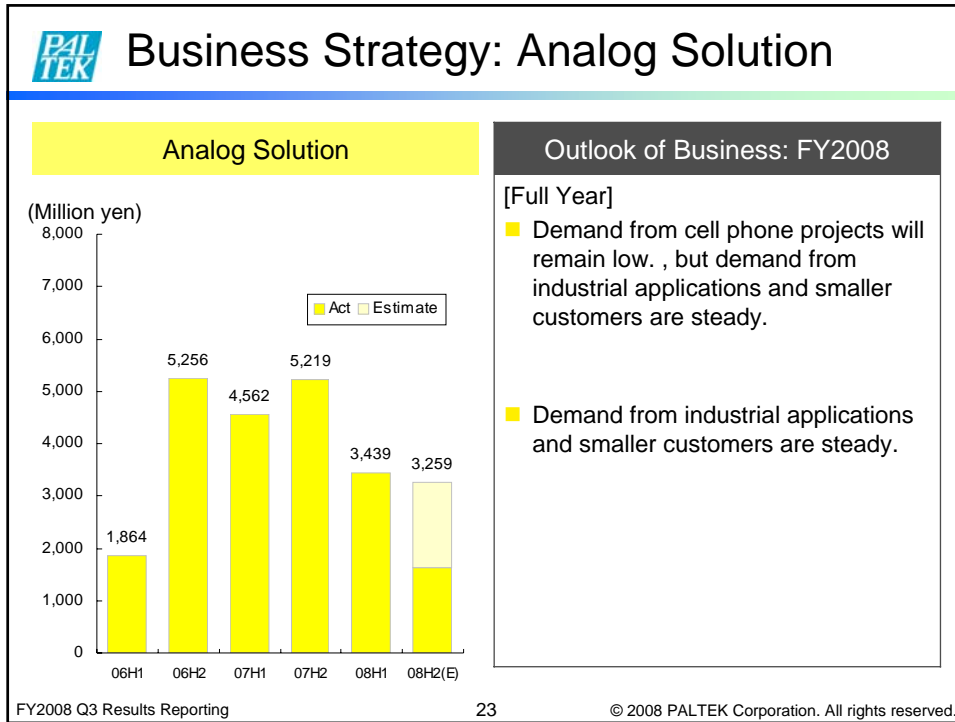
PAL **TEK** Assumptions of the guidance

Expected impacts from world-wide financial crisis

- When exchange rates fluctuate dramatically
=> It may cause some impact on profits
 - If such fluctuations are dramatic in short period of time, risk hedge methods may not be enough and impact the profits. Strong yen usually impacts favorably while weaker yen may results in loss in gross profit margin and exchange loss.

- When further decrease in demand for electronics products occurs from world-wide financial crisis,
=> it may cause decrease in sales and profits
 - Will closely follow customers' demand situations

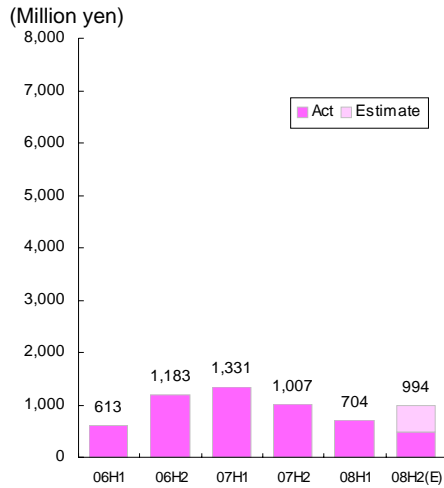






Business Strategy: Memory Solution

Memory Solution



Outlook of Business: FY2008

[Full Year]

■ No changes are expected in market imbalance, but one large project for an OEM customer started and will contribute to sales increase in the 2nd half.



Future Plans

PALTEK 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 	

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PALTEK For the growth of business

Evolution of Solutions

Targeting Wireless Broadband Access Market

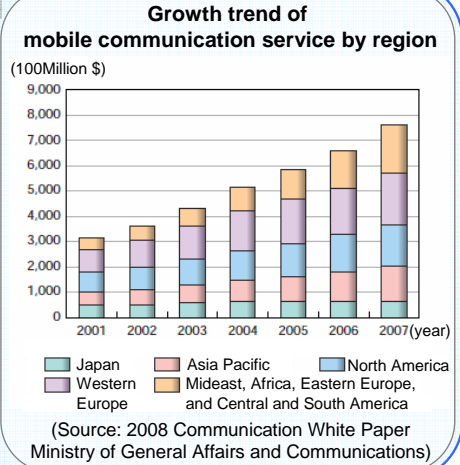
- Wireless broadband access market is expected to grow in global scale
- Standardization of protocols and technology has been advancing and Japanese Communication players are now targeting the global market beyond the Japanese market
- PALTEK Group carries some key products for the next generation wireless broadband access market and is providing the customers the solutions with strong engineering support and system-based solutions.

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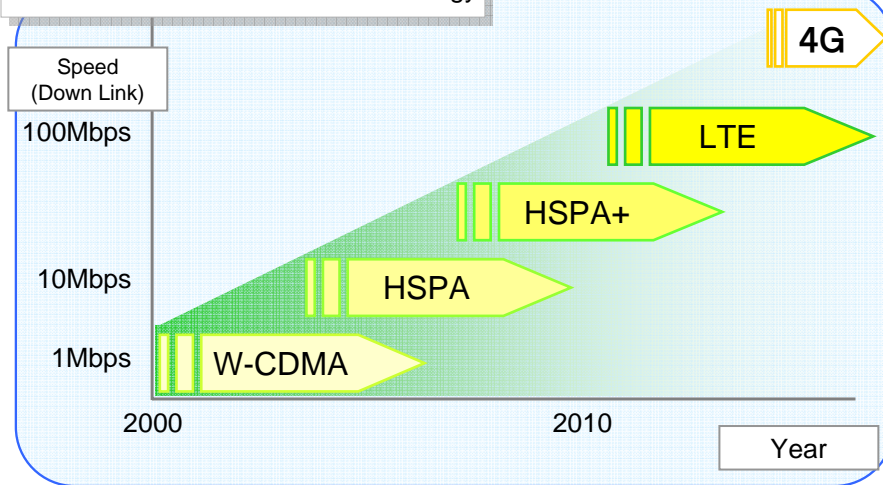
Wireless access market trend

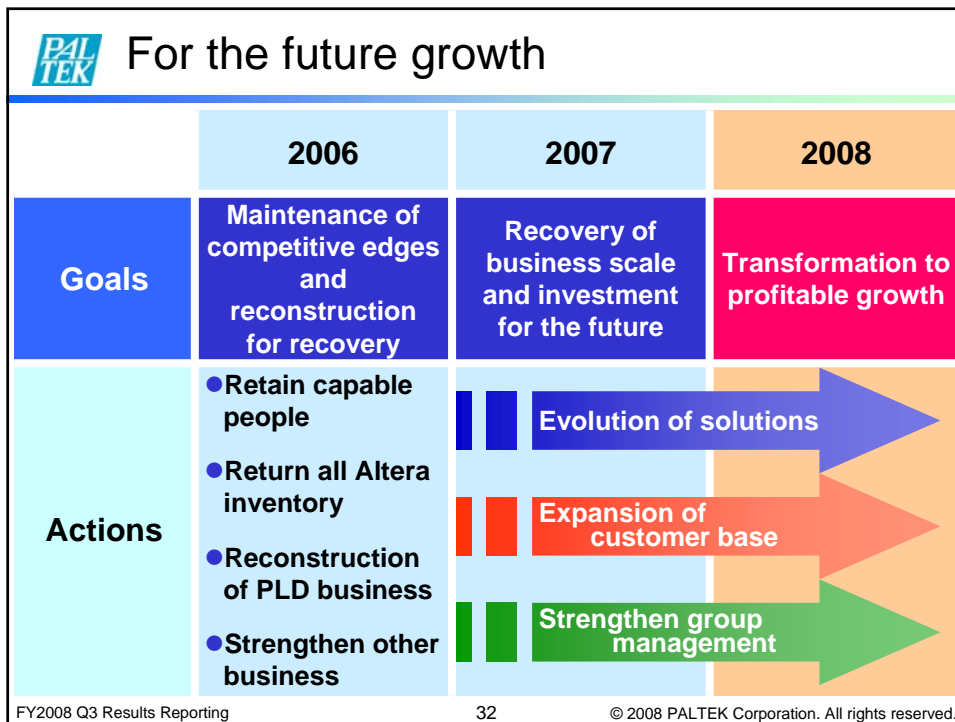
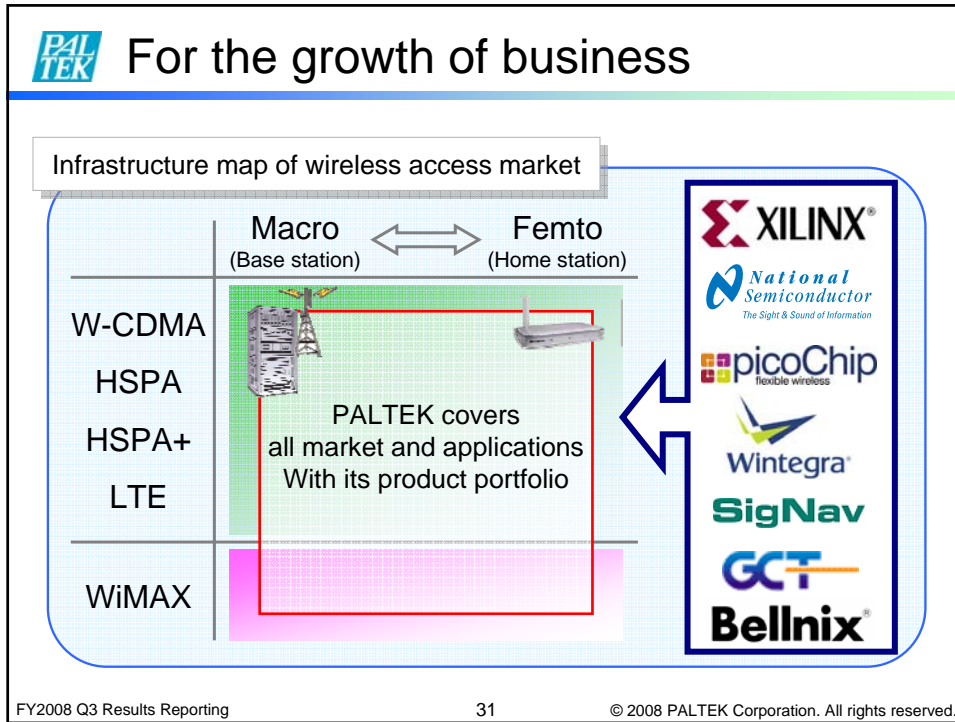
- Global expansion of wireless access market.
- New markets (Asia and MEAE) lead the growth
- Current 70% GSM-base 2nd generation services will shift to the 3rd generation services
- Japanese communication players are now developing new products by targeting the growing global markets.



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Evolution of wireless access technology





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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.

Reference

FY2008 Sales Guidance by Solution (consolidated)

(Million yen)	Guidance on August 11			New Guidance as of September 26		
	H1	H2	Total	H1	H2	Total
PLD	2,673	3,126	5,800	2,673	3,126	5,800
Analog	3,439	3,460	6,900	3,439	3,260	6,700
ASSP	3,353	3,247	6,600	3,353	3,447	6,800
Memory	704	995	1,700	704	995	1,700
Sales Total	10,171	10,829	21,000	10,171	10,829	21,000
Operating Income	58	42	100	58	83	142