



To Our Shareholders

PALTEK REPORT

Year Ended December 31, 2007

JASDAO

Code: 7587

It is my pleasure to present the results of our 26th fiscal year (covering the period from January 1, 2007 to December 31, 2007). To begin with, I would like to take this opportunity to express my sincere gratitude to all shareholders for the continuing support you have shown the PALTEK CORPORATION.

Review of 2007

Corporate performance continued to improve as an overall market trend during the consolidated fiscal year under review. However, the economy did appear to slow, particularly in the second half of the year, given factors such as the U.S. subprime mortgage loan crisis and the rise of crude oil prices. In the electronics industry, consumer products such as flat televisions sold well. However, prices continued to fall in the face of fierce worldwide competition. Nor could dynamism be found in the fields of communications infrastructure and industrial machinery. The operating environment consequently remained challenging.

Given these market conditions, the PALTEK Group took steps to increase sales of Programmable Logic Device (PLD) solutions, following a switch of suppliers in the previous fiscal year. At the same

time, the Group sought to bolster its analog solution business, which has

emerged as its largest business, as well as the rapidly expanding system solution business.

Net sales for PLD solutions were below the level they were at before the supplier switch. However, activities to win design projects, which have been a focus of the Group since the first year under the new supplier arrangement, gradually began to produce results. Net sales for the business recovered steadily, thanks in particular to the adoption of solutions for many products by major and second-tier customers.

Net sales for analog solutions increased, thanks to a major contribution from mass production of one large project for portable devices in the middle of the fiscal year. However, price competition was extremely intense in the field of consumer products. Further sales promotion and cost improvements are necessary to win design projects and generate profits.

The system solution business performed strongly, driven by ASSP products, particularly products for broadband communications. Memory products experienced a slowdown in the second half of the fiscal year, as a result of substantial price declines, which became pronounced in the middle of the year. However, they achieved strong results, assisted by a steady expansion of the customer base.

As a result of the developments described above, consolidated net sales reached a new record high. However, the Group recorded a loss, as it was unable to make good the deficit produced by the PLD solution business, which is still on its way to recovery.



PALTEK CORPORATION
Tadahito Takahashi
President

Financial Highlights (Millions of yen)	2005	2006	2007	2008 (estimated)
Net sales	17,946	14,729	20,655	25,000
Operating income (loss)	541	(412)	(300)	110
Ordinary income (loss)	373	(42)	(222)	75
Net income (loss)	243	(36)	(258)	45

Forecast for next fiscal year

Looking ahead at the Japanese economy, uncertainty and concerns about a possible slowdown are likely to loom during the first half of the next fiscal year, given the adverse effects of the U.S. subprime mortgage loan crisis, in addition to high crude oil prices and the appreciation of raw material prices in domestic markets. However, economies in BRICs and other emerging countries have been performing steadily, and corporate capital investment is set to remain strong driven by strong exports.

In this operating environment, the Group will focus on expanding its share in the existing market for Xilinx products, a category handled by the PLD solution business, which is still on its way to recovery. The Group will also engage in activities for acquiring new customers for PLD solutions. The following fiscal year will be the third year under the new supplier arrangement. The Group anticipates that mass production under projects acquired in the first and second years will increase gradually during the following fiscal year, and the increase will contribute to net sales. The Group will continue to find new design projects, expanding its market share for Xilinx products and tapping new customer segments, by utilizing the PLD marketing expertise and engineering support capabilities it has built over the years.

In the analog solution business, the Group intends to focus on selling a wide range of National

Semiconductor Corporation products and the Company's highly competitive power management ICs. The Group will also look to win more design projects for new products, including interface products and AD-DA converters, by making integrated proposals in which the multiple products are proposed along with PLDs and other digital products.

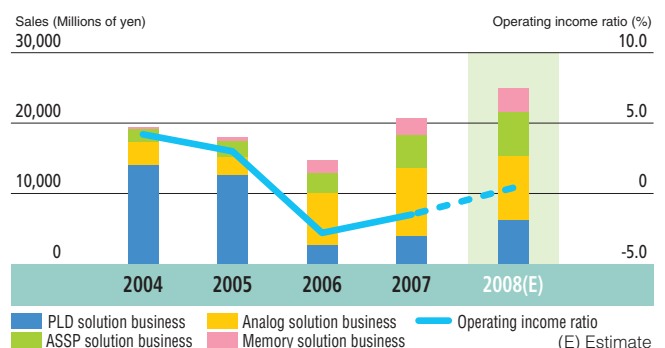
In ASSP products and memory products, which are attracting a steadily growing number of customers and design projects, the Group will use PLDs, a mainstay product, and analog semiconductors to generate a synergetic effect in their core applications or customer segments. The Group will also offer system-based proposals and engineering support, two of its main strengths, to achieve further growth.

Based on the activities described above, on a full-year basis, the Group predicts consolidated net sales of 25,000 million yen (up 21.0% year-on-year), consolidated operating income of 110 million yen (compared with a consolidated operating loss of 300 million yen for the previous consolidated fiscal year), consolidated ordinary income of 75 million yen (compared with a consolidated ordinary loss of 222 million yen for the previous consolidated fiscal year), and consolidated net income of 45 million yen (compared with a consolidated net loss of 258 million yen for the previous consolidated fiscal year).

Aiming at new growth and expansion



Changes in earnings forecast (Consolidated)



On entering the final year of the three-year plan

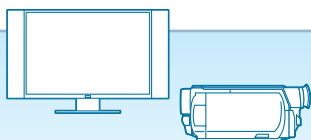
Two years have passed since the Company changed at the beginning of 2006 the supplier of PLD, which account for approximately 70% of net sales, through a step that represented the greatest operational adjustment in the Company’s history. Many customers, suppliers, business partners and shareholders have supported us over these two years. In the fourth quarter of fiscal 2007, we were able to return to profitability for the first time in seven quarters, thanks to the support provided by our employees, who had walked the road of recovery with

us with tremendous determination. During this period, the Group has learned many lessons, and has grown into a four-company organization, with the addition of NS Microelectronics Co., Ltd. (NSM). Meanwhile, restructuring and integration have become frequent news in the electronics industry in which we operate. They serve to underline the great changes taking place in the industry. Taking this situation into consideration, we intend to map out new medium- to long-term business plans for the Group.

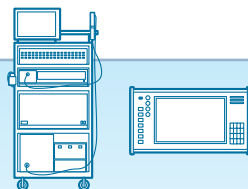
Market conditions surrounding the PALTEK Group

While Toyota is eyeing the possibility of becoming number one in the world in the auto industry, the Japanese electronics industry is facing an uphill battle in global markets. In the mobile phone market, Nokia of Northern Europe boasts an overwhelming share, selling more than 400 million units a year. The market for portable audio terminals is dominated by Apple of the United States. Japanese semiconductor manufacturers, which comprised five of the top ten suppliers in the global semiconductors market in the early 1990s, are a long way behind Intel and Samsung at present. Meanwhile, electronics manufacturers in emerging countries such as South

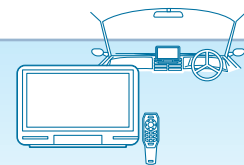
Korea, Taiwan, China and India are steadily boosting their strength by exploiting their individual characteristics. It has become common to see in Japanese retail stores electronic products developed and manufactured in these countries. In these circumstances, many Japanese electronics manufacturers have narrowed their strategic fields, by clearly adopting a more selective policy, and selling and consolidating their non-strategic businesses. In this way, restructuring is advancing in the electronics industry. In this environment, growth is anticipated in the following three fields, where Japanese manufacturers can continue to do well:



(1) High-function digital consumer products represented by flat televisions



(2) Industrial applications such as measurement, medical and factory automation, and communications infrastructure equipment requiring high-function, high-speed technologies

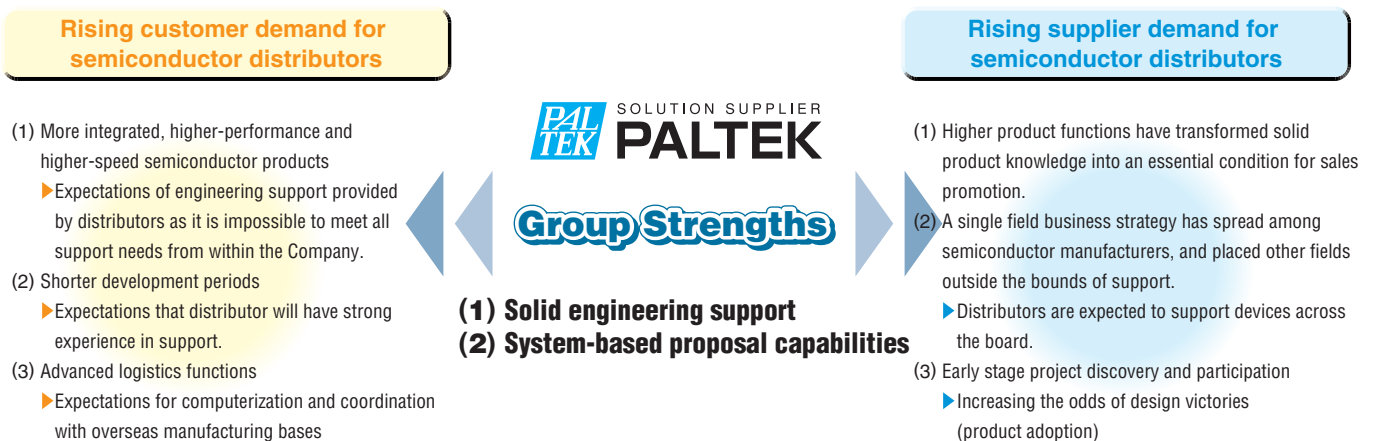


(3) In-vehicle products led by Japanese manufacturers that are finding growing demand for electronic components

Direction the PALTEK Group should pursue: transforming engineering capabilities into a competitive edge

The Group believes that the detailed engineering support it has consistently provided to its customers is the primary reason behind net sales recovery achieved through the course of its operational restructuring. The Group has more engineers than it has salespeople. Many of these engineers are deeply involved in customer design, and support customers by taking part in activities ranging from parts selection to electronic circuit design. The Group has been united in its commitment to investing in programs to raise its engineering capabilities, by designing functions that customers truly need and by producing substrates for verification. Likewise, NSM, a company that joined the Group in 2006, boasts an

impressive record in analog semiconductor technologies. We take the view that the shared approach of transforming engineering capabilities into competitive edges has formed a connection between the Group and NSM. As semiconductor products become more integrated, higher-performance and higher-speed, electronics manufacturers in the global race for development increasingly need distributors like members of the Group that provide reliable engineering support. We are confident that these engineering capabilities are the greatest competitive edge and value for the Group.



Returning to the idea of “kyo-sei”: everything for the success of customers

Since its establishment, the Company has managed its operations in accordance with the idea of “kyo-sei (to create cooperative growth)” that is the philosophy of achieving its own success through the success of its customers. As stated earlier, the Japanese electronics industry has reached a major turning

point, the result of global competition and waves of change. In this period of transition, the Group aspires to expand income by better understating customer needs and by providing support in the design and development of electronics products that are globally competitive.

Acquisition of certification under ISO27001 (an international standard for information security management systems)

Positioning information security as one of its important responsibilities, the Company has undertaken a number of initiatives to establish a privacy policy and to introduce technical measures for protecting information. In addition to these activities, the Company acquired ISMS certification* in December 2004 to develop a more solid information management system. In November 2007, the Company acquired certification under ISO27001 (JIS Q 27001), following the adoption of the ISMS certification* by the International Organization for Standardization (ISO). In the process of improving information security, the Company has sought to prevent information leaks from the perspectives of both tangibles and intangibles, by raising the awareness of employees with regard to the adequate handling of information assets with periodic information security training, in addition to introducing encryption software to laptop PCs.



*ISMS certification: A third-party certification system by Japan Information Processing Development Corporation (JIPDEC), a private initiative started on the basis of "the introduction of international standards for information security management and the reform of the Secure Information Systems Accreditation Scheme for Information-Processing Service Companies," published by the defunct Ministry of International Trade and Industry in July 2000.

Corporate governance structure ■ Introduction of new directors

Director (outside director)



Tsutomu Niimura

Personal history

- 1970 Joins Sony Corporation
- 1998 President of Personal Video Co. of Sony Corporation
- 2003 NC President of Home Network Company of Sony Corporation
- 2004 Executive Vice President of Sony Corporation
- 2006 Alumnus of Sony Corporation (current)

Tsutomu Niimura joined the Company as a director (outside director) in March 2008. Mr. Niimura has been involved in the development of consumer products, including televisions and video equipment, and LSI and other semiconductor products used in such consumer products at Sony Corporation. He became Sony's senior executive in this field. With significant experience and technical expertise in visual consumer products, we expect Mr. Niimura will play a key role in advancing Group operations. We ask you to support Mr. Niimura going forward.

Corporate Auditor



Isao Tsubaki

Certified Public Accountant
(Reappointment)

Personal history

- 1986 Joins Sanwa & Co.
(now Deloitte Touche Tohmatsu)
- 1993 Representative Partner of Sanwa & Co.
- 1997 Representative of Tsubaki Isao CPA Office (to the present date)
- 1999 President of Tsubaki Sogo Management Institute (to the present date)
- 2004 Corporate Auditor of the Company (current)

The Company reappointed Certified Public Accountant Isao Tsubaki as its Corporate Auditor. In an environment of increasing public demand for corporate compliance and governance, we expect Mr. Tsubaki will help to improve the quality of the Company's governance, with his rich and detailed knowledge of management systems and the latest accounting audit practices.

Answers to questions raised by shareholders

Thank you very much for replying to the survey we conducted in the PALTEK Report for the Half Year Ended June 30, 2007.

Through the survey, we received many questions about our share price, dividends and hospitality programs for shareholders. Our current policies on these matters are as follows:

Q Sluggish share price

A Since the PLD supplier switch at the beginning of 2006, the Company's share price has slumped, reflecting a business downturn, a situation that has troubled shareholders considerably. Equity markets around the world have recently struggled in the face of the U.S. subprime mortgage loan crisis. The downturn has been particularly severe in Japan. We believe that the overall stock market weakening has also affected our share price. Aware that business recovery is the most effective way to increase its share price, the Company is committed to making further efforts to improve its performance.

Q Dividends

A The dividend policy of the Company is to determine the amount of dividends in consideration of dividend payout ratios for consolidated and non-consolidated results, while seeking to sustain stable dividends at the level of 10 yen per share. The Group recorded losses for two consecutive terms in fiscal 2006 and fiscal 2007. However, the Company has sufficient retained earnings. We also look set to post business recovery with the return to profitability in the second half of fiscal 2007. In view of these factors, the Company plans to continue with dividends of 10 yen per share in fiscal 2008.

Q Hospitality programs for shareholders

A At this point, in the area of shareholder returns, the Company intends to prioritize a return to profitability on a full-year basis and the maintenance of dividends through business recovery. We will study a hospitality program for shareholders in the future, when a continued recovery brings us sufficient income.

Results of Survey for the 26th Interim Business Report

Topics of interest

Message to shareholders 22%

Stock information 6%

Company profile 6%

Financial highlights 7%

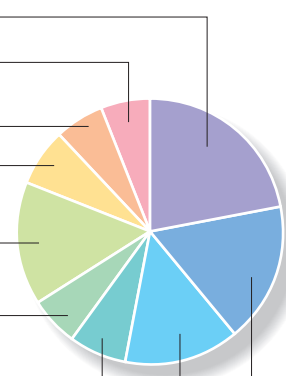
Financial statements 15%

IR information 6%

Topics 7%

The employees that support the PALTEK Group 14%

Interview with the president 17%



● IR Events ●

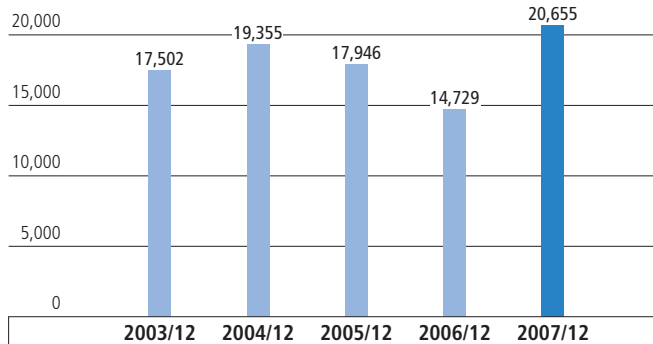
Date	Events
February 13 (Wednesday)	Explanatory Meeting on Fiscal Year 2007
March 29 (Saturday)	Annual General Meeting of Shareholders for the 26th Term
May 14 (Wednesday)	Explanatory Meeting on Q1 2008
Mid August	Explanatory Meeting on Results for First Half 2008
Mid November	Explanatory Meeting on Q3 2008

We have listed only events that are currently scheduled. Events in rows with colored backgrounds have already taken place.

Financial Highlights

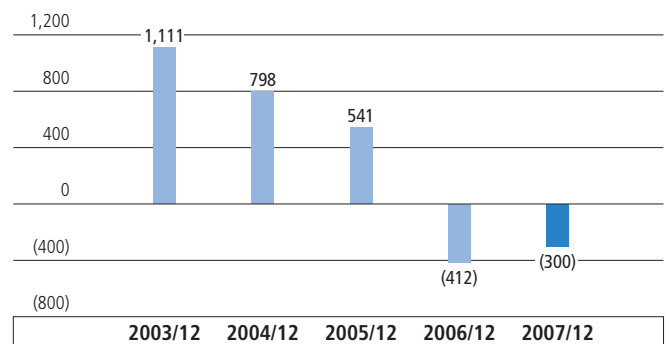
Net sales

(Millions of yen)



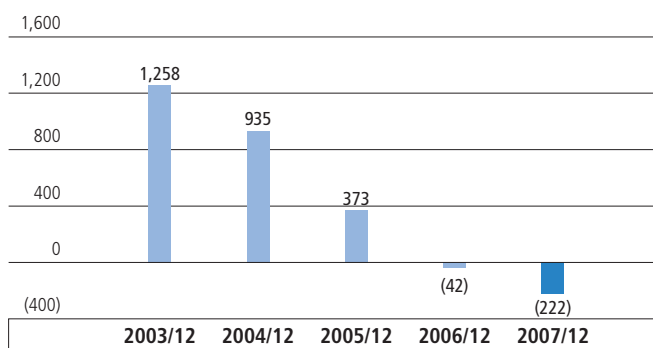
Operating income (loss)

(Millions of yen)



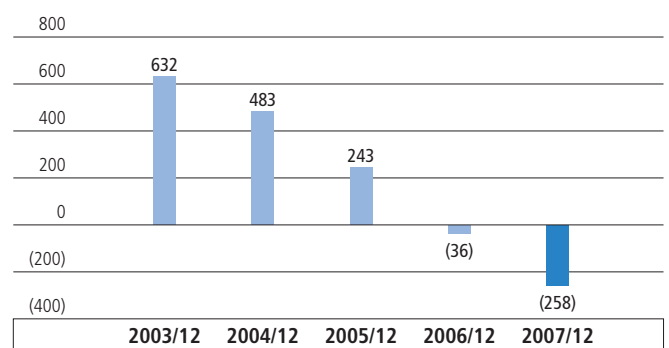
Ordinary income (loss)

(Millions of yen)



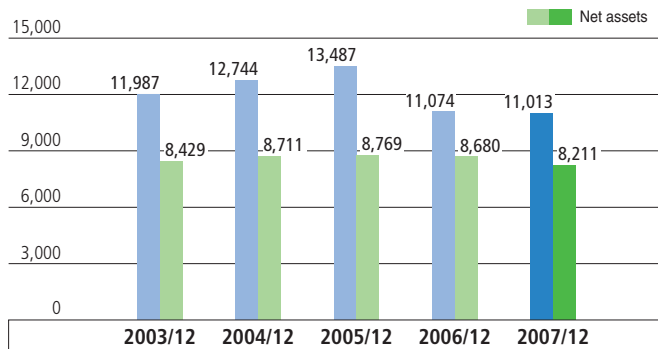
Net income (loss)

(Millions of yen)



Total assets / Net assets

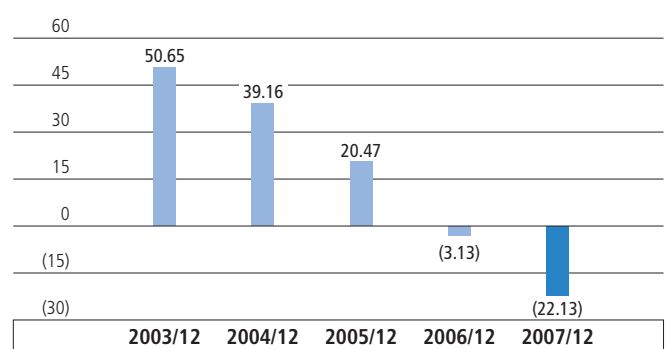
(Millions of yen)



Note: Net assets before 2006/12 are total shareholders' equity figures.

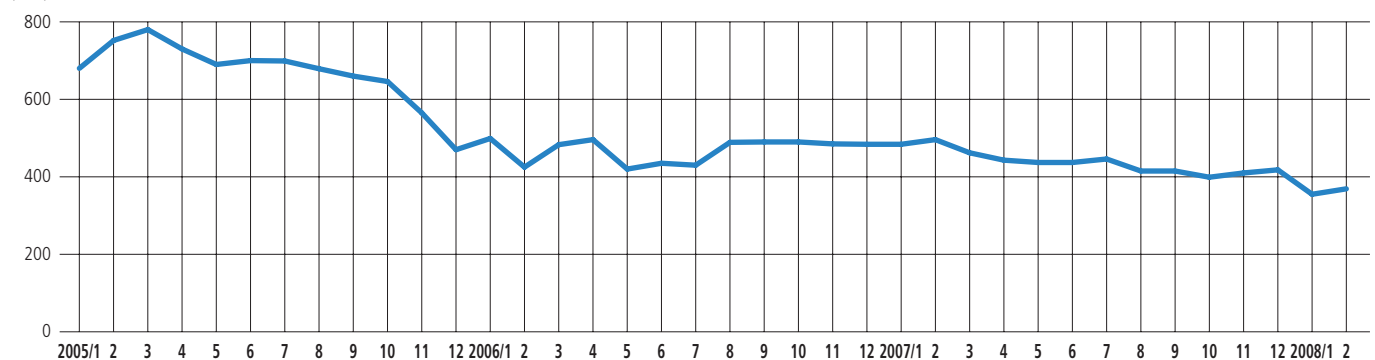
Net income (loss) per share

(Yen)



Stock quotes

(Yen)



Financial Statements

Consolidated balance sheet

(Thousands of yen)

	December 31, 2005	December 31, 2006	December 31, 2007
●Assets			
Current assets	12,552,004	9,700,542	9,898,982
Cash and bank deposits	3,049,169	2,148,622	2,295,984
Notes and accounts receivable	4,058,171	3,966,758	5,070,103
Inventories	4,273,456	3,246,472	1,992,042
Consumption taxes receivable	1,026,014	148,951	280,084
Deferred tax assets	71,154	36,876	41,385
Others	78,301	153,365	219,922
Allowance for doubtful accounts	(4,262)	(504)	(540)
Fixed assets	935,851	1,373,764	1,114,087
Tangible fixed assets	134,390	105,759	86,202
Buildings	137,074	153,980	151,313
Accumulated depreciation	(86,742)	(106,580)	(111,994)
Vehicle equipment	920	920	920
Accumulated depreciation	(874)	(874)	(874)
Furniture and fixtures	387,464	392,720	380,916
Accumulated depreciation	(318,188)	(335,004)	(334,677)
Land	14,736	598	598
Intangible fixed assets	59,534	116,529	109,737
Goodwill	0	68,415	55,044
Others	59,534	48,113	54,693
Investments and other assets	741,926	1,151,475	918,146
Investment securities	268,022	263,658	92,876
Deferred tax assets	139,367	381,139	380,222
Others	334,536	513,922	452,059
Allowance for doubtful accounts	—	(7,244)	(7,012)
Total assets	13,487,856	11,074,307	11,013,070
●Liabilities			
Current liabilities	4,210,073	2,020,257	2,460,053
Notes and accounts payable	1,970,953	1,430,343	1,280,221
Short-term bank loans	1,738,350	95,820	780,000
Income taxes payable	52,010	127,959	11,017
Accrued bonuses	42,156	57,212	55,047
Others	406,602	308,922	333,767
Long-term liabilities	441,126	373,312	341,182
Negative goodwill	1,914	—	566
Long-term bank loans	5,820	—	—
Liability for employees' retirement benefits	42,309	44,852	54,700
Liability for directors' and corporate auditors' retirement benefits	288,776	290,187	247,453
Others	102,306	38,272	38,462
Total liabilities	4,651,199	2,393,570	2,801,235
●Minority interests			
Minority interests	67,619	—	—
●Shareholders' equity			
Common stock	1,339,634	—	—
Capital surplus	2,698,526	—	—
Retained earnings	4,829,522	—	—
Unrealized gains on securities - net	31,515	—	—
Treasury stock	(130,161)	—	—
Total shareholders' equity	8,769,037	—	—
Total liabilities, minority interests and shareholders' equity	13,487,856	—	—
●Net assets			
Shareholders' equity	—	8,579,998	8,205,203
Common stock	—	1,339,634	1,339,634
Capital surplus	—	2,698,526	2,698,526
Retained earnings	—	4,672,259	4,297,642
Treasury stock	—	(130,421)	(130,599)
Valuation/translation gains (losses)	—	36,032	6,631
Unrealized gains (losses) on securities - net	—	36,032	6,471
Deferred hedging gains (losses)	—	—	159
Minority interests	—	64,705	—
Total net assets	—	8,680,736	8,211,834
Total liabilities and net assets	—	11,074,307	11,013,070

Consolidated statement of income

(Thousands of yen)

	Year ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007
Net sales	17,946,928	14,729,321	20,655,287
Cost of sales	14,585,245	12,284,141	17,938,774
Gross profit	3,361,682	2,445,179	2,716,513
Selling, general and administrative expenses	2,820,132	2,857,500	3,017,032
Provision for doubtful accounts	327	—	199
Salary	915,424	961,297	1,055,615
Provision for bonuses	41,185	46,272	54,428
Provision for directors' and corporate auditors' retirement benefits	14,183	8,726	1,563
Rent expenses	356,776	308,228	316,547
Amortization of goodwill	—	7,751	15,699
Others	1,492,234	1,525,222	1,572,978
Operating income (loss)	541,549	(412,320)	(300,518)
Nonoperating income	9,396	433,958	127,229
Interest income	765	8,022	9,040
Dividend income	206	157	185
Commissions received	—	219,866	—
Foreign exchange gain	—	118,753	85,541
Gain on valuation of derivatives	—	59,517	—
Gain on sale of investment securities	2,136	81	1,335
Interest on refunds of consumption taxes	2,163	3,457	483
Amortization of negative goodwill	1,276	1,355	799
Others	2,847	22,747	29,844
Nonoperating expenses	177,584	63,909	48,945
Interest expenses	17,312	16,523	12,880
Provision for doubtful accounts	—	7,147	—
Losses on doubtful accounts	6,195	—	—
Commissions paid	13,747	17,913	16,942
Foreign exchange loss	114,239	—	—
Losses on assignment of receivables	16,440	13,921	13,211
Others	9,648	8,404	5,911
Ordinary income (loss)	373,361	(42,271)	(222,235)
Extraordinary income	47,308	21,940	53,807
Gain on sale of fixed assets	1,292	28	50
Gain on reversal of directors' and corporate auditors' retirement benefits	1,664	75	75
Reversal of allowance for doubtful accounts	—	3,660	—
Gain on sale of investment securities	41,558	18,000	48,932
Gain on redemption of investment securities	2,041	—	—
Gain on cancellation of derivatives	—	—	4,741
Gain on reversal of guarantee liabilities	752	176	7
Extraordinary losses	10,771	35,058	30,746
Loss on revision of earnings from previous period	—	10,389	3,030
Loss on sale of fixed assets	1,295	—	—
Loss on disposal of fixed assets	1,201	4,731	2,273
Loss on valuation of investment securities	2,972	—	—
Impairment losses	—	17,111	1,691
Loss on sale of investment securities	—	—	2,734
Loss on devaluation of investment securities	5,302	2,826	21,015
Income (loss) before income taxes and minority interests	409,899	(55,389)	(199,173)
Income taxes - current	163,951	146,482	41,852
Income taxes - deferred	(3,504)	(175,643)	16,947
Minority interest in income of consolidated subsidiaries	5,957	10,243	33
Net income (loss)	243,494	(36,472)	(258,007)

Consolidated statement of changes in net assets

(Thousands of yen)

December 31, 2007	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Dec. 31, 2006	1,339,634	2,698,526	4,672,259	(130,421)	8,579,998
Changes during the term					
Dividends			(116,609)		(116,609)
Net income (loss)			(258,007)		(258,007)
Acquisition of treasury stock				(177)	(177)
Other changes in non-shareholders' equity items during the term (net)					
Total changes during the term	—	—	(374,617)	(177)	(374,794)
Balance as of Dec. 31, 2007	1,339,634	2,698,526	4,297,642	(130,599)	8,205,203

December 31, 2007	Valuation/translation gains (losses)			Minority interests	Total net assets
	Unrealized gains (losses) on securities—net	Deferred hedging gains (losses)	Total valuation/translation gains (losses)		
Balance as of Dec. 31, 2006	36,032	—	36,032	64,705	8,680,736
Changes during the term					
Dividends					(116,609)
Net income (loss)					(258,007)
Acquisition of treasury stock					(177)
Other changes in non-shareholders' equity items during the term (net)	(29,560)	159	(29,401)	(64,705)	(94,107)
Total changes during the term	(29,560)	159	(29,401)	(64,705)	(468,901)
Balance as of Dec. 31, 2007	6,471	159	6,631	—	8,211,834

Consolidated statement of cash flows

(Thousands of yen)

	Year ended December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007
Net cash flows from operating activities			
Income (loss) before taxes and minority interests	409,899	(55,389)	(199,173)
Depreciation	103,631	64,664	52,081
Amortization of goodwill	(1,276)	6,396	15,699
Amortization of negative goodwill	—	—	(799)
Impairment losses	—	17,111	1,691
Loss on valuation of investment securities	5,302	2,826	21,015
Increase (decrease) in allowance for doubtful accounts	(2,444)	3,486	101
Increase (decrease) in accrued bonuses	(9,187)	15,056	(2,165)
Increase (decrease) in liability for employees' retirement benefits	(4,282)	1,148	9,847
Increase (decrease) in liability for directors' and corporate auditors' retirement benefits	12,125	(49,611)	(42,734)
Interest and dividends income	(972)	(8,179)	(9,225)
Interest expenses	17,312	16,523	12,880
Foreign exchange gain	(354)	(1,299)	(4,142)
Gain on sale of investment securities	(43,694)	(18,081)	(50,267)
Loss on sale of investment securities	—	—	2,734
Gain on redemption of investment securities	(2,041)	—	—
Gain on sale of tangible fixed assets	(1,292)	(28)	(50)
Loss on sale of tangible fixed assets	1,295	—	—
Loss on disposal of tangible fixed assets	1,201	4,081	2,158
Loss on valuation of tangible fixed assets	2,694	—	—
Loss on disposal of intangible fixed assets	—	649	115
Loss on valuation of intangible fixed assets	278	—	—
Commissions received	—	(219,866)	—
Gain on valuation of derivatives	—	(59,517)	—
Gain on cancellation of derivatives	—	—	(4,741)
Decrease (increase) in accounts receivable - trade	(79,999)	2,152,004	(1,098,406)
Decrease (increase) in inventories	(162,687)	2,645,082	1,246,046
Increase (decrease) in accounts payables - trade	899,158	(1,158,067)	(150,100)
Decrease (increase) in consumption tax receivable	(108,088)	808,849	(90,857)
Decrease (increase) in advance payments	21,872	(6,322)	9,964
Increase (decrease) in advances	2,911	(989)	12,257
Bonuses paid to directors and corporate auditors	(21,730)	(4,700)	—
Others	88,276	(136,738)	(113,579)
Sub total	1,127,907	4,019,089	(379,652)
Interest and dividends received	293	7,512	8,611
Interest paid	(17,000)	(19,031)	(13,178)
Commissions received	—	219,866	—
Tax refunds	—	—	61,998
Income tax paid	(338,288)	(210,915)	(226,609)
Net cash (used in) provided by operating activities	772,912	4,016,521	(548,829)
Net cash flows from investing activities			
Increase in time deposits	(44,001)	(44,005)	(24,098)
Decrease in time deposits	40,000	40,000	—
Purchases of investment securities	(5,954)	(23,915)	(2,230)
Proceeds from sale of investment securities	195,605	49,641	146,755
Payments for acquisition of affiliate's equity	—	(11,220)	(64,546)
Proceeds received from inclusion of NS Microelectronics Co., Ltd. as a subsidiary	—	99,953	—
Purchases of tangible fixed assets	(29,482)	(19,183)	(8,075)
Proceeds from sale of tangible fixed assets	2,600	4,804	137
Purchases of intangible fixed assets	(8,645)	(15,988)	(27,490)
Proceeds from sale of investment to partnership	—	18	—
Payments for loans	(315)	(500)	(959)
Proceeds from collection of loans	—	235	914
Proceeds from cancellation of insurance policies	—	—	41,865
Increase in other investments	(21,052)	(25,864)	(37,585)
Decrease in other investments	9,515	61,016	77,031
Net cash provided by (used in) investing activities	138,272	114,992	101,717
Net cash flows from financing activities			
Net increase (decrease) in short-term bank loans	—	(3,124,000)	690,000
Repayment of long-term bank loans	(133,152)	(1,045,730)	(5,820)
Payments for redemption of bonds	—	(750,000)	—
Purchases of treasury stock	(57,283)	(260)	(177)
Cash dividends paid to minority shareholders	(1,995)	(665)	(555)
Cash dividends paid	(117,877)	(116,746)	(117,270)
Net cash provided by (used in) financing activities	(310,307)	(5,037,402)	566,176
Effect of exchange rate changes on cash and cash equivalents	48	1,336	4,199
Net increase (decrease) in cash and cash equivalents	600,925	(904,552)	123,263
Cash and cash equivalents at beginning of period	2,412,243	3,013,168	2,108,616
Cash and cash equivalents at end of period	3,013,168	2,108,616	2,231,879

- **Company Name** PALTEK CORPORATION
- **Established** October 1982
- **President** Tadahito Takahashi
- **Employees** Parent basis: 157
Consolidated basis: 232
- **Capital** 1,339,634 thousand yen
- **Subsidiaries** Alpha Electronics, Inc.,
NS Microelectronics Co., Ltd.,
Spinnaker Systems, Inc.,
Alpha Electron (HK), Co., Ltd.
- **Main Banks** Sumitomo Mitsui Banking Corporation,
The Bank of Tokyo-Mitsubishi UFJ, Ltd.,
Mizuho Bank, Ltd.,
Mitsubishi UFJ Trust and Banking Corporation,
Yokohama Bank, Ltd.
- **Main Customers** NEC Corporation, Sony Corporation,
Fujitsu Limited, Sumitomo Electric Industries, Ltd.,
Olympus Corporation, Anritsu Corporation,
Yokogawa Electric Corporation,
Oki Electric Industry Co., Ltd.
- **Main Suppliers** Xilinx, Inc. (U.S.A.),
National Semiconductor Corporation (U.S.A.),
Micron Technology, Inc. (U.S.A.),
AudioCodes Ltd. (Israel),
Gennum Corporation (Canada),
GSI Technology, Inc. (U.S.A.),
PLX Technology, Inc. (U.S.A.), etc.

■ Directors and Corporate Auditors (as of March 29, 2008)

President	Tadahito Takahashi
Vice President	Hiroyuki Takasaki
Director	Tadashi Ito
Director	Hajime Yamazaki
Director	Masahiko Hirata
Director	Tsutomu Niimura
Standing Corporate Auditor	Yukio Miura
Corporate Auditor	Isao Tsubaki
Corporate Auditor	Teruhiko Kyogoku
Corporate Auditor	Kazuhiko Nishimura

■ Offices

● Head Office

Shin-Yokohama Square Bldg., 2-3-12 Shin-Yokohama, Kouhoku-ku, Yokohama 222-0033, Kanagawa, Japan
TEL: +81-45-477-2000 FAX: +81-45-477-2012

● Osaka Branch

Omachi Bldg., 1-14-33 Esaka-cho, Suita 564-0063, Osaka, Japan
TEL: +81-6-6369-4070 FAX: +81-6-6369-4071

● Machida Logistics Center

Tenko Bldg. 17, 687-1 Tsuruma, Machida, Tokyo 194-0004, Japan (Logistics Center) TEL: +81-42-788-5560
(Programming Center) TEL: +81-42-788-5561
FAX: +81-42-788-5562

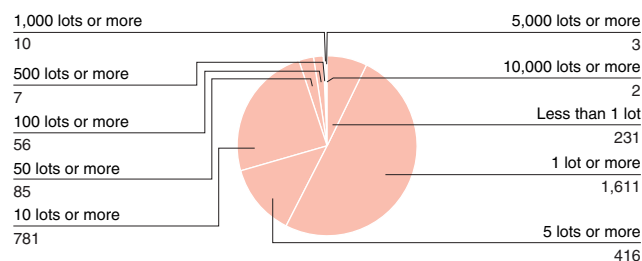
● PALTEK CORPORATION Shanghai Office

Liahua Business Center Room A-8121, No. 808, Hongqiao Road, Shanghai 200030 China
TEL: +86-21-64480145 FAX: +86-21-64480146

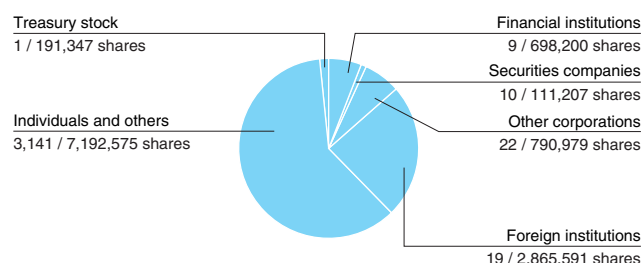
Stock Information (as of December 31, 2007)

- **Total number of authorized shares** 23,562,000 shares
- **Total number of shares issued** 11,849,899 shares
- **Number of shares per lot** 100 shares
- **Number of shareholders** 3,202

■ Breakdown of shareholders by owned volume



■ Breakdown of ownership by shareholders type



■ Principal shareholders

Name	Number of shares held (thousand)	Equity ownership (%)
Tadahito Takahashi	2,566.3	22.05
Bank of New York GCM Client Accounts EISG	1,031.7	8.86
Dave Brauer	775.2	6.66
The Bank of New York Europe Limited Luxembourg 131800	618.2	5.31
Endeavor Corporation	593.2	5.09
HSBC Fund Services SPARX Asset Management Corporated	313.1	2.69
NikkoCiti Trust and Banking Corporation (Investment Trust Account)	300.0	2.57
Narie Ogawa	264.7	2.27
Kyoko Mizuno	264.7	2.27
Japan Trustee Services Bank, Ltd. (Trust Account)	241.0	2.07

Note: The above list shows actual possession situation.

Shareholder Memo

Business year	From January 1 to December 31
Annual general meeting of shareholders	March each year
Date of record for annual general meeting of shareholders	December 31 each year If necessary, the dates will be determined otherwise by a prior announcement.
Register closing date for dividend receivable	Term end dividend December 31 Interim dividend June 30
Transfer agent (Mailing address of the above)	Mitsubishi UFJ Trust and Banking Corporation Transfer Agent Department, Mitsubishi UFJ Trust and Banking Corporation 10-11 Higashisuna 7-chome, Koto-ku, Tokyo 137-8081 Tel. 0120-232-711 (Toll free number)
Distributing agent	All nationwide branch offices of Mitsubishi UFJ Trust and Banking Corporation
Method of public notice	Electronic public notices: (http://www.paltek.co.jp/ir/index.htm) However, should electronic public notices become unavailable in the event of a contingency, the <i>Nihon Keizai Shimbun</i> shall be used for public notices.

Editor's Note

Yoshinori Shibasaki, Corporate Communication Group

In the fourth quarter of fiscal 2007, we improved our performance to the point of returning both our non-consolidated and consolidated operating results to profitability for the first time in seven quarters. On this occasion, we once again apologize to our shareholders for the concern and inconvenience we caused as a result of share price weakness and other factors. Having achieved a turnaround, we can sense that employee morale is rising. Fiscal 2008 will be the final year for the three-year management plan established at the beginning of 2006 to achieve a business recovery. We have been able to achieve results that are virtually in line with the management plan in fiscal 2006 and 2007. We intend to sustain this performance and do everything in our power to achieve the fiscal 2008 target of profitable growth. As we pursue this initiative, we ask for your continued support.

Going forward, we will continue to deliver improved and easy-to-understand PALTEK Reports to all of our shareholders, and we sincerely welcome any opinions or thoughts that you may have.

Tel. +81-45-477-2000 (main) email contact: ir@paltek.co.jp



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