

Summary of Consolidated Financial Results for the Year Ended December 31, 2009

Company name: PALTEK CORPORATION Shares Traded: JASDAQ
 Securities code: 7587 URL: <http://www.paltek.co.jp/>
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 Date of Annual General Meeting of Shareholders: March 27, 2010 Date of commencement of dividend payment: March 29, 2010
 Date of filing of financial report: March 29, 2010

(Millions of yen rounded down)

1. Consolidated Operating Results for the Year Ended December 31, 2009 (January 1, 2009 to December 31, 2009)

(1) Consolidated Operating Results

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 2009	14,762	(28.8)	(182)	—	(103)	—	(60)	—
Fiscal year ended December 2008	20,726	—	131	—	286	—	59	—

	Net Income per Share	Net Income per share fully diluted	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 2009	(5.17)	—	(0.7)	(1.1)	(1.2)
Fiscal year ended December 2008	5.07	—	0.7	2.7	0.6

(Reference)

Equity in earnings (losses) of affiliates companies:

December 2010 fiscal term: — million yen
 December 2009 fiscal term: — million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets Per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of December 31, 2009	9,102	7,905	86.8	691.68
As of December 31, 2008	10,321	8,137	78.8	697.91

(Reference)

Total equity: As of December 31, 2009: 7,905 million yen
 As of December 31, 2008: 8,137 million yen

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 2009	231	347	(731)	2,302
Fiscal year ended December 2008	664	(82)	(346)	2,466

2. Dividends

	Dividends per Share					Dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net sales (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
Fiscal year ended December 2008	—	0.00	—	10.00	10.00	116	197.2	1.4
Fiscal year ended December 2009	—	0.00	—	5.00	5.00	57	—	0.7
Fiscal year ending December 2010 (Forecast)	—	0.00	—	5.00	5.00		79.4	

**3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending December 31, 2010
(January 1, 2010 to December 31, 2010)**

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	7,600	13.9	30	—	20	—	12	—	1.05
Full year	16,800	13.8	150	—	120	—	72	—	6.30

4. Other

(1) Changes in material subsidiaries during the period (changes in specific subsidiaries affecting the scope of consolidation): Yes

New: - (Company name:)

Excluded: 2 (Company name: Alpha Electronics, Inc., NS Microelectronics, Co. Ltd.)

(Note) For details, please refer to “Corporate Group Situation” on page 7.

(2) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of quarterly consolidated financial statements (recorded in changes to important items that form the basis for preparation of quarterly consolidated financial statements)

(1) Changes due to revisions to accounting standards, etc.: Yes

(2) Changes other than 1): No

(3) Number of outstanding shares (common stocks)

1) Number of shares outstanding at term-end (including treasury stocks)

As of December 31, 2009: 11,849,899 shares

As of December 31, 2008: 11,849,899 shares

2) Number of treasury stock at term-end

As of December 31, 2009: 420,366 shares

As of December 31, 2008: 189,668 shares

[Reference]Non-consolidated Operating Results

1. Non-Consolidated Operating Results for the Year Ended December 31, 2009

(January 1, 2009 to December 31, 2009)

(1) Non-Consolidated Operating Results

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 2009	13,781	6.1	(44)	—	(56)	—	117	(52.5)
Fiscal year ended December 2008	12,990	—	88	—	444	—	247	—

	Net Income per Share	Net Income per share fully diluted
	Yen	Yen
Fiscal year ended December 2009	10.11	—
Fiscal year ended December 2008	21.22	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets Per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of December 31, 2009	9,188	7,976	86.8	697.90
As of December 31, 2008	9,657	8,031	83.2	688.78

(Reference)

Shareholders' equity: As of December 31, 2009: 7,976 million yen

As of December 31, 2008: 8,031 million yen

1. Operating Results

(1) Analysis of Operating Results

1) Operating results in this term

This consolidated fiscal year began with the financial crisis following the Lehman shock in autumn of 2008, and severe economic conditions unlike any previously experienced, but with the proactive economic stimulus packages put forth by governments around the world, and with steady economic growth in emerging countries such as China and India causing exports to recover, from the mid-year through to the latter stages of the year, signs of a recovery began to emerge. However, in developed countries such as Japan, the U.S. and Europe, corporate capital investment remained at low levels, and consumer spending slumped due to employment uncertainty and other factors, and the situation regarding sustained economic recovery in the future remains unclear.

In the electronics industry in which the company Group belongs, some market fields such as flat-screen televisions performed strongly, due to the effects of the Eco-point system, but in the fields of industrial equipment and communications equipment fields, conditions remained severe.

Amidst such a harsh market environment, on April 1, 2009, in order to streamline and increase efficiency in management, our company Group merged with two of its subsidiaries that focus on sales of semiconductor products, worked towards elimination and consolidation of business locations as well as integration of distribution functions, and continued to streamline its management practices. Also, from an individual-product-based selling system, we carried out organizational reforms in order to comprehend customers' entire units, and further enhance a selling system based on optimum combinations.

When analyzing conditions in each solutions business, firstly we found that in the area of PLD solutions, the effects of restraint in capital investment in the communications equipment field – the main application market for PLD – were particularly felt during the first half of the year, and sales were sluggish. However, in the second half of the year, mass production of several PLD projects for broadcasting equipment and medical equipment fields, which we had been focusing on for several years, rose and sales recovered to reach levels achieved in the previous year. For both of these application fields, we employed system-based designs proposal measures, by which we place PLD as core product of designs and use analog and semiconductors and memory products around PLD.

In the area of analog solutions, sales were poor due to poor performance in the consumer market field, but gross profit margin improved as it was boosted by steadily-performing high-tech products such as those for medical equipment and broadcasting equipment.

In the area of ASSP solutions, production level of several major projects featuring broadband communication products decreased significantly due to the effects of market depression, while in the fields of interface and next-generation wireless communication, performance was steady, and in the second half of the year total sales recovered.

In the area of memory solutions, with the effects of market depression, the overall demand remained low, although car-navigation projects performed well, achieving sales on par with last year's levels.

As a result of these business activities, net sales for this consolidated fiscal year were heavily affected by dramatic decreases in sales during the first half of the year, and only reached 14,762 million yen (down 28.8% from the previous fiscal year).

In terms of profits and losses, a deficit was recorded in the first half of the year due to the significant decreases in sales during that time, but in the second half of the year sales gradually recovered, and cost-reduction effects resulting from our merger with subsidiaries were seen, allowing us to regain profitability. However, profits were not sufficient to compensate for the deficit recorded in the first half of the year, and we recorded an operating loss of 182 million yen (against an operating income of 131 million yen in the previous consolidated fiscal year).

Ordinary income improved due to gains on cancellation of insurance contract accompanying our merger with subsidiaries, as well as foreign exchange gains that were recorded due to appreciation of the yen, and we recorded an ordinary loss of 103 million yen (against an ordinary income of 286 million in the previous consolidated fiscal year).

In terms of net income for the full year, because we recorded business restructuring costs etc., such as relocation costs for our merger with two subsidiaries, we recorded net loss of 60 million yen (against net income of 59 million yen in the previous consolidated fiscal year).

2) Forecasts for the next term

Looking toward the Japanese economy in the next term, solid growth is expected to continue in emerging countries such as China and India, and exports to these countries are expected to support the economy. However, viewing the domestic situation, while the sense of regression is fading from the economy due to various economic policies, along with issues of concern such as continual appreciation of the yen and deflation, the employment situation remains severe and, for the time being, the future of the economy remains unclear.

In the electronics industry in which the company Group belongs, exports to emerging countries are expected to perform strongly, but the willingness of domestic companies to undertake capital investment remains low, and there are many unclear factors affecting consumer spending, such as employment anxiety and declines in wages, and it will probably take some time for a full-fledged recovery to occur.

In light of this business environment, the company Group will maintain our management practice that aims to achieve streamlining through the merger with subsidiaries, and with even greater efficiency, we will promote highly cost-competitive low-cost operation. Also, in terms of the markets that the company Group will focus on, in the communications field, because communications carrier companies have announced plans for capital investment in the field of next-generation wireless communication, we will enhance sales of PLD and communications ASSP in these fields. Furthermore, because consumer requirements for semiconductor products designed for energy conservation and power-supply control are increasing in light of the global increase in environmental awareness, we will develop products for these new markets.

Through the activities outlined above, consolidated earnings forecasts for the company Group are: nets sales of 16,800 million yen (up 13.8% from the previous consolidated fiscal year), operating income of 150 million yen (against an operating loss of 182 million yen in the previous consolidated fiscal year), ordinary income of 120 million yen (against an ordinary loss of 103 million yen in the previous consolidated fiscal year), and net income of 72 million yen (against net loss of 60 million yen in the previous consolidated fiscal year).

(2) Analysis of Financial Position**1) Assets, liabilities and net assets**

Mainly due to decreases in cash and bank deposits, as well in account receivable and merchandise, total assets for this consolidated fiscal year decreased by 1,218 million yen as compared with the level at the end of the previous consolidated fiscal year, and came to 9,102 million yen.

Because notes and accounts payable decreased, and because we repaid short-term bank loans, and other reasons, liabilities decreased by 986 million yen as compared with the level at the end of the previous consolidated fiscal year, and came to 1,197 million yen.

Because we recorded a net loss of 60 million yen, and because we made dividend payments of 116 million yen, net assets decreased by 232 million yen as compared with the level at the end of the previous consolidated fiscal year, and came to 7,905 million yen.

2) Cash flow

Consolidated cash and cash equivalents for this fiscal year decreased by 163 million yen as compared with levels at the end of the previous consolidated fiscal year, and came to 2,302 million yen at the end of this consolidated fiscal year.

Cash flow situations for this consolidated fiscal year, and relevant causes, are as follows.

(Cash flow from operations)

Regarding cash flow from operations, whilst we recorded a net loss before income taxes and minority interests of 212 million yen (against a net income before taxes and minority interests of 267 million in the previous consolidated fiscal year), due to decreases in account receivable and inventory, cash flow from operations came to an income of 231 million yen (against an income of 664 million yen in the previous consolidated fiscal year).

(Cash flow from investment)

Regarding cash flow from investment, because we made withdrawal of time deposits, and cancellation of insurance contract, and other reasons, cash flow from investment came to an income of 347 million yen (against an outlay of 82 million yen in the previous consolidated fiscal year).

(Cash flow from financing)

Regarding cash flow from financing, due to our repaying bank loans and acquisition of treasury stock, and due to cash dividend paid, and other reasons, cash flow from financing came to an outlay of 731 million yen (against an outlay of 346 million yen in the previous consolidated fiscal year).

Trends in indicators of cash flows for PALTEK group are as follows:

	FY 2005 Ended December	FY 2006 Ended December	FY 2007 Ended December	FY 2008 Ended December	FY 2009 Ended December
Equity ratio (%)	65.0	77.8	74.6	78.8	86.8
Equity ratio (market value basis) (%)	40.6	51.0	44.3	31.1	39.6
Years of debt redemption (years)	2.4	0.0	—	0.9	0.2
Interest coverage ratio (times)	45.5	211.0	—	45.8	68.1

Notes:

1. Equity ratio: Shareholders' equity/total assets
2. Equity ratio (market value basis): Market capitalization/total assets
3. Years of debt redemption: Interest-bearing debt/operating cash flow
4. Interest coverage ratio: Operating cash flow/interest payment
 - 1) Each indicator is calculated based on consolidated financial statements.
 - 2) Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year with the number of outstanding shares as of that date.
 - 3) For the operating cash flow, the cash flow from operating activities shown in the consolidated statement of cash flows is used.

Interest-bearing debts cover all liabilities with interest payments under the liabilities section of the consolidated balance sheets. Interest payments equal the amount of interest paid on the consolidated statements of cash flows.

(3) Basic Policy Regarding Profit Allocation, and Dividends in the Current and Next Period

The company Group recognizes profit returns to all shareholders as one of the important business issues. For this reason, whilst striving to improve performance and business efficiency, and continually maintaining profitability, we have a basic policy of providing fair profit allocation, with consideration given to enhancement of our management base and future business evolution. Regarding dividends, we will determine dividend amounts after taking into account payout ratios for performance, whilst

maintaining the steady dividends that we have offered up until now.

Regarding year-end dividends for this consolidated fiscal year, full-year performance is as stated in the current operating results, and in light of the global economic recession in the first half of the year, because sales slumped significantly we recorded a deficit, but on April 1, 2009, we merged with two Group companies, and have since worked to streamline management and reduce costs through measures such as elimination and consolidation of business locations, and thorough reductions in expenditure. As sales have gradually recovered in the second half of the year, enhancement effects have begun to emerge in our management practices, and because we have been able to return to profitability in the second half of the year, we anticipate year-end dividends of five yen per share, as planned.

Also, regarding dividends in the next term, the business environment is expected to remain severe, but as a result of streamlining through our merger with subsidiaries and various cost-reduction efforts carried out during previous consolidated fiscal year, our profitability is continuing to improve. In terms of full-year performance, we anticipate a recovery in sales due to a resurgence of exports and commencement of mass production in the communications field, and expect to record a profit for the full-year, but expect profit levels to be extremely low in the first half of the year in particular. Thus, we are planning to offer year-end dividends of five yen per share.

(4) Business Risks

The following are items that may affect the company Group's operating results or financial situation.

The company Group recognizes the potential for these risks to arise, and works to prevent them from arising, and to respond in cases where they do arise. Although future matters are included among these items, judgments that have been made with regard to these items are current as of the end of this consolidated fiscal year.

1) Variable factors determined by dependence on semiconductors

The company Group's clients are mainly within the domestic electronics industry, and the Group's performance is affected by trends in product demand within the industry and capital investment trends, and may also be affected by cyclically occurring demand fluctuations in the semiconductor industry as a whole. In response to these, profit structure reforms are being imposed at the company Group in order to be able to cope with these kinds of fluctuations, but it is possible that rapid business fluctuations in the electronics industry and changes in demand trends may impact upon the Group's performance.

2) Dependence upon specific suppliers

The company Group's major clients are Xilinx and National Semiconductor, and in this consolidated fiscal year sales of products from these two companies accounted for 28 and 21 percent of consolidated sales, respectively. Although business relations with Xilinx and National Semiconductor are currently progressing steadily, if difficulties should arise in continuing our business relationship due to suppliers reviewing their distribution policies or engaging in restructuring, these might impact upon the Group's performance.

3) Regarding outflow of information assets

As a key tool of its sales strategy, the company Group holds various information assets. The Company has always regarded information security as a vital duty, and made efforts to draw up privacy policies and introduce a wide range of technological measures. Furthermore, in order to build a more robust information management system, the Company acquired ISMS certification* in December 2004, and based on the conversion of this certification to ISO in November 2007, the Company received ISO27001 (JIS Q 27001 certification). Through these activities, as well as introducing encoded software to notebook computers, as a result of providing regular education about information security, the Company has worked to increase employees' awareness of appropriate handling of information assets, and has strived to prevent information leaks from the aspects of both hardware and software. However, where outflow of information assets occurs due to unintended system failure, incorrect operation, intrusion or attack from outside, or other unforeseen circumstances, this may impact upon performance through either a loss of trust in the company Group, or through claims for compensatory damages.

*ISMS certification: Based on the "introduction of international standards for information security management, and reforms made to the system for certifying businesses implementing safety measures for information systems within the information-processing industry," as announced by the Ministry of International Trade and Industry in July 2000, this is a private-sector driven third-party certification system that was started at the Japan Information Processing Development Corporation (JIPDEC).

4) Effects of foreign exchange rate fluctuations

Sales of semiconductor-related products form the core of the company Group's business, but its main suppliers are overseas manufacturers, and transactions in foreign currency constantly arise. For this reason, it is possible that exchange rate fluctuations may affect the Group's performance. The Group takes various measures to lessen the risk of exchange rate fluctuations and avoid this outcome, but cannot ensure that risks posed by exchange rate fluctuations are fully avoided. Due to this, it is possible that rapid exchange rate fluctuations may impact upon the Group's performance and financial situation.

5) Developing new suppliers and promoting business

By making full use of the high technical support capabilities that it has cultivated over many years, as well as its marketing ability that appeals to 'individuality', and by acquiring products that are highly competitive even within the industry, and expanding its product line, the company Group has worked towards "expanding its areas of specialty" and "expanding its customer base." In the future, the Group will continue with its policies, and work towards further business evolution.

However, in the fiercely competitive semiconductor industry, in which technological innovations happen quickly, competition to acquire these powerful new suppliers is becoming increasingly fierce, and even where new suppliers have been acquired and supply is made to customers, due to the effects of competition among finished products at the customer end, as well as the shortening lifecycles of these products, the company Group's business plans may not always proceed according to plan. Thus, at

the company Group, we are constantly keeping an eye on market and technological trends, and always work to acquire competitive new products, and to achieve business plans, but delays in business start-ups of new supplier products may impact upon the Group's performance.

6) *Effects of clients shifting to overseas production*

At present, the company Group sells products including primarily semiconductors to domestic electronics manufacturers. These domestic electronics manufacturers seek production bases at lower costs, as well as markets with high growth potential, and are strengthening their moves to shift production bases to foreign countries such as China and other Asian countries.

In order to respond to these overseas transfers by clients, and to continue supplying products and technical support, the company Group has established a branch office in Singapore and supporting customers with production bases in countries such as Malaysia, Thailand and Vietnam. The company Group has also established a subsidiary in Hong Kong, and will respond to production transfer by Japanese manufacturers in Hong Kong and mainland China. However, in cases where customer's product-development deals within Japan shift further overseas, and are transferred to areas beyond those of the Group's sales operations, it is possible that performance may be affected.

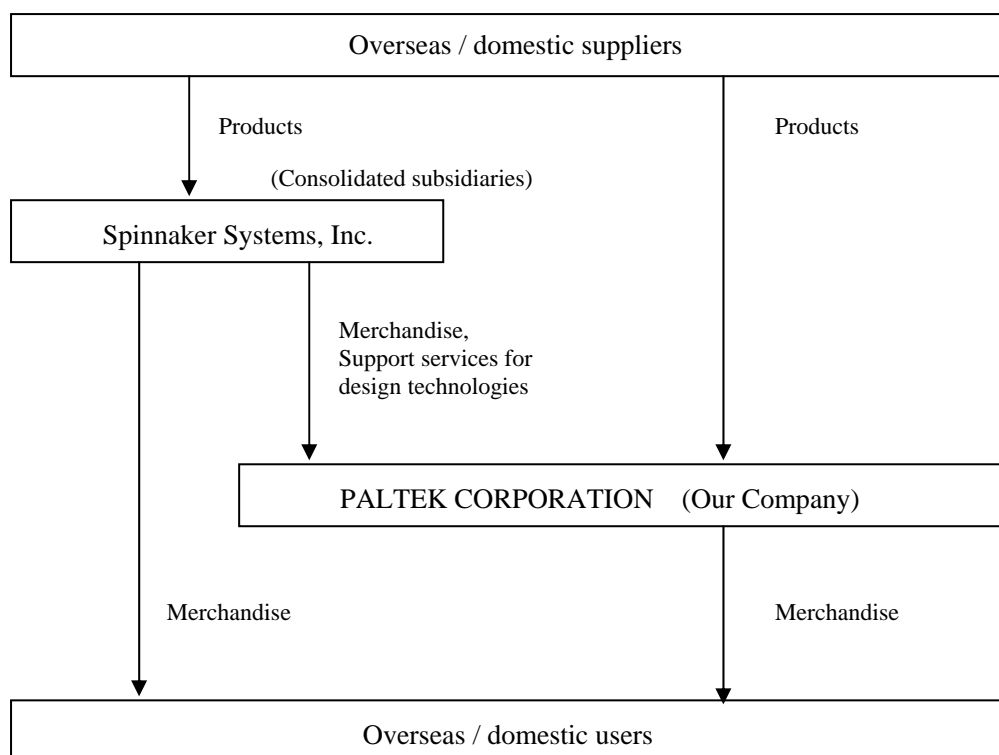
7) *Effects of inventory disposal and evaluation*

In order to respond suitably to customers' number requirements and delivery dates, the company Group holds several month's worth of inventory. In order to hold the optimum amount of inventory, as well as acquiring predictive information for quantities required by customers, and demand forecasts for merchandise with products pre-loaded, the Group analyzes past situations in terms of fluctuations and orders, and coordinates issuance of orders to suppliers, to thereby coordinate and manage inventory. However, where there are rapid fluctuations in quantities required by customers or in market prices, or where discrepancies arise with quantities initially forecast as being required by customers for either discontinued products or products that have been stored as maintenance stock, it may be necessary for us to dispose of them in accordance with accounting standards, and to revise asset value evaluations. Where such cases arise, performance may be affected.

2. Corporate Group Situation

The company Group's main business activities consist of selling semiconductor and design software for electronic equipment, and providing design support services. The following is a business system chart that broadly illustrates the relations between the Company and its affiliates within the company Group's business operations.

Business segment	Description of business	Major companies
Semiconductor related business	Design and development of semiconductor related products, Support services for sales and design technologies	PALTEK CORPORATION, Spinnaker Systems, Inc.



(Note) On April 1, 2009, the Company merged with Alpha Electronics Inc. and NS Microelectronics Inc.

3. Management Policy

(1) The Company's Basic Management Policy

With the ideal of "co-existing with diverse ways of life," the company Group aims to create value that is meaningful for stakeholders involved with the Group, including customers, suppliers, employees, shareholders and local societies.

In the electronics industry, which evolves and grows on a daily basis, the company Group standardizes with cutting-edge technology and market needs, develops innovative semiconductor and software products that are created in all parts of the world, and also supplies them to customers who develop and sell various kinds of electronic equipment and systems. Our work is not limited to mere product distribution, as we also support customers' design and development with high-level technology, offer system-based proposals that take into account the whole equipment, and strive to supply suitable solutions. Furthermore, we will also make active efforts to provide solutions in awareness of the needs of the global environment, which are rapidly increasing due to things such as global-warming and environmental pollution.

Through the activities outlined above, as well as dedicating itself to developing the electronics industry, and contributing to the realization of a ubiquitous network society that is more convenient and vibrant, by providing solutions for achieving an eco-friendly low-carbon society, we will endeavor towards a symbiosis with global environmental protection and all stakeholders.

(2) Targeted Management Indexes

Due to the global economic recession following the Lehman crisis in autumn 2008, in order to respond to a market that has shrunk rapidly, the company Group has carried out thorough streamlining of management and cost reduction, including merging with Group companies, and cost reductions, and has worked to establish a stable corporate structure. At present, realizing that while there are signs of gradual recovery in the global economy, the business environment remains severe, the Group has revised its future management indexes that assumed steady growth in the market. From here on, target management indexes will be sales of 30,000 million yen and operating margin of 3 percent, and our immediate priority will be to firstly strengthen our operating base, and establish a system for steadily securing income.

(3) Mid-and-Long Term Company Strategies

In the electronics industry to which the company Group belongs, in addition to Korea, China and India, the rise of other countries mainly in Asia has been noticeable, and the intensity of global competition is increasing in aspects such as products ideas, design and manufacturing techniques, and even price. Amidst such an environment, for customers developing and selling electronics products that evolve on a daily basis, the company Group will not sell the semiconductors and software that they handle individually, but rather, with an understanding of the overall technical requirements of customers' machines, will provide proposals with high added value based on solid technical understanding, that provide everything from component selection and development techniques to development support. With strengths such as the deep-level technical knowledge of PLD and analog semiconductors that we have acquired, and our experience in offering support, we conduct business operations based on our solid technical background. In particular, we will focus on industrial equipment and communications infrastructure markets for things such as medical equipment, broadcasting equipment and measurement equipment, in which Japanese manufacturers are strong and occupy high shares of global markets, and that are required high functionality and speed.

Also, as for endeavors into new growth fields, realizing the situation we are confronted with in terms of serious environmental changes such as global warming and environmental pollution, we will make active efforts in the smart-grid field, in which development awareness is rapidly increasing, and will contribute to the realization of a low-carbon society.

(4) Issues for the Company to Address

In the electronics industry to which the company Group belongs, although demand has decreased significantly due to the effects of serious economic depression following the Lehman shock, with the economic stimulus packages put forth by many countries, and with steady economic recovery in emerging countries centering around China, signs of recovery have gradually begun to emerge. However, with corporate capital investment remaining low, and consumer spending being sluggish due to factors such as employment anxiety, the market environment remains unclear. Furthermore, regarding Japanese manufacturers, who are the Company's main customers, Korean, Taiwanese and Chinese electronics manufacturers are rapidly enhancing their technological capabilities, and are increasingly keeping pace with American, European and Japanese manufacturers through outstanding cost-competitiveness, and competition is becoming fiercer than ever before in all fields, including early release of products, functionality, cost and design. On the other hand, efforts to increase speed and functionality are progressing in the semiconductor products and electronic equipment loaded with these products with which the company Group dealt, and developments are becoming increasingly complex.

Within such a market environment, we at the company Group are making the following efforts.

1) Improving earnings structure

Amidst a severe economic environment, the Company merged with two subsidiaries that focused mainly on sales of semiconductor products on April 1, 2009, worked towards elimination and consolidation of business locations as well as integration of distribution functions, and streamlined its management practices. As a result of this merger, we plan to further strengthen our operating base through efficient utilization of management resources, and will proceed with business developments with a sense of speed.

2) Enhancing system-based proposals

In order to enhance our ability to support design and development processes that are becoming increasingly complex due to acceleration and diversification of electronic equipment, the Company will not only sell individual semiconductors such as PLD and analog semiconductors on a stand-alone basis, but will enhance system-based proposals that comprehend system structures of boards or entire units

3) *Strategies focusing on future growth fields*

The Company will draw up business projects that focus on the following application fields that are expected to grow in the future

- Communications field: Fields targeting next-generation wireless communication
- Industrial equipment field: Fields of industrial equipment for medical, measurement and FA use – areas in which growth is expected in line with increasing economic development and capital investment in emerging countries, and in which Japanese manufacturers specialize.
- Environmentally-conscious fields: Fields involving smart-grids in line with requirements due to increasing global environmental awareness

(5) Other Company Management Priorities

No applicable items.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY 2008 (As of December 31, 2008)	FY 2009 (As of December 31, 2009)
ASSETS		
Current assets		
Cash and deposits	*1 2,594,823	2,302,915
Notes and accounts receivable-trade	4,175,960	3,544,782
Inventories	1,970,822	—
Merchandise	—	1,590,820
Supplies	—	7,034
Consumption taxes receivable	471,568	558,303
Deferred tax assets	200,876	191,415
Other	175,045	217,449
Allowance for doubtful accounts	(1,820)	(460)
Total current assets	9,587,276	8,412,259
Noncurrent assets		
Property, plant and equipment		
Buildings	143,194	124,123
Accumulated depreciation	118,060	93,341
Buildings, net	25,134	30,782
Tools, furniture and fixtures	372,265	297,690
Accumulated depreciation	338,681	270,728
Tools, furniture and fixtures, net	33,584	26,961
Land	598	598
Total property, plant and equipment	59,316	58,342
Intangible assets		
Goodwill	39,345	23,646
Other	49,382	37,262
Total intangible assets	88,727	60,908
Investments and other assets		
Investment securities	*4 55,501	*4 36,449
Deferred tax assets	45,731	212,165
Other	494,286	335,062
Allowance for doubtful accounts	(9,344)	(12,591)
Total Investments and other assets	586,175	571,087
Total noncurrent assets	734,220	690,337
Total assets	10,321,497	9,102,597

(Thousands of yen)

	FY 2008 (As of December 31, 2008)	FY 2009 (As of December 31, 2009)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	809,822	498,239
Short-term loans payable	550,000	—
Income taxes payable	14,014	9,247
Provision for bonuses	50,762	41,810
Other	*1 436,607	414,664
Total current liabilities	1,861,206	963,962
Noncurrent liabilities		
Negative goodwill	404	243
Provision for retirement benefits	35,980	25,476
Provision for directors' retirement benefits	247,453	166,363
Others	38,652	41,029
Total noncurrent liabilities	322,491	233,112
Total liabilities	2,183,698	1,197,075
NET ASSETS		
Shareholders' equity		
Capital stock	1,339,634	1,339,634
Capital surplus	2,698,526	2,698,526
Retained earnings	4,240,170	4,063,427
Treasury stock	(130,708)	(195,320)
Total shareholders' equity	8,147,623	7,906,267
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(8,259)	(410)
Deferred gains or losses on hedges	(1,564)	(334)
Total valuation and translation adjustments	(9,824)	(745)
Total net assets	8,137,798	7,905,522
Total liabilities and net assets	10,321,497	9,102,597

(2) Consolidated Statements of Income

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Net sales	20,726,339	14,762,241
Cost of Sales	17,642,938	12,378,777
Gross Profit	3,083,400	2,383,463
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	5,120	1,824
Salaries and allowances	1,073,159	1,060,453
Provision for bonuses	50,258	41,399
Rent expenses	310,785	270,634
Amortization of goodwill	15,699	15,699
Other	1,496,982	*1 1,176,076
Total selling, general and administrative expenses	2,952,005	2,566,086
Operating income (loss)	131,394	(182,622)
Non-operating income		
Interest income	4,786	894
Dividend income	178	1
Foreign exchange gains	159,993	9,447
Gain on sales of investment securities	14,759	3,585
Interest on refunds of consumption taxes	872	1,188
Amortization of negative goodwill	161	161
Insurance premiums refunded cancellation	—	84,178
Other	14,031	8,952
Total non-operating income	194,782	108,409
Non-operating expenses		
Interest expense	14,683	4,194
Commission fee	3,466	5,157
Losses on assignment of accounts receivable	15,027	13,848
Other	6,333	5,634
Total non-operating expenses	39,511	28,834
Ordinary income (loss)	286,665	(103,048)
Extraordinary income		
Gain on prior period adjustment	9,284	—
Gain on sales of investment securities	9,559	51
Reversal of provision for directors' retirement benefits	—	509
Reversal of warranty reserve	—	19,407
Gain on reversal of guarantee liabilities	6	—
Total extraordinary income	18,850	19,968

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Extraordinary loss		
Loss on sales of noncurrent assets	* ² 80	* ² 747
Loss on retirement of noncurrent assets	* ³ 843	* ³ 3,934
Impairment loss	* ⁴ 10,467	—
Loss on sales of investment securities	450	—
Loss on valuation of investment securities	—	39,168
Restructuring loss	—	79,781
Loss on valuation of golf club membership	—	5,712
Litigation settlement	26,188	—
Other	—	572
Total extraordinary losses	38,029	129,915
Income (loss) before income taxes and minority interests	267,486	(212,995)
Income taxes-current	21,945	10,333
Income taxes-deferred	186,406	(163,188)
Total income taxes	208,352	(152,854)
Net income (loss)	59,133	(60,140)

(3) Statement of Changes in Consolidated Shareholders' Equity

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	1,339,634	1,339,634
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	1,339,634	1,339,634
Capital surplus		
Balance at the end of previous period	2,698,526	2,698,526
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	2,698,526	2,698,526
Retained earnings		
Balance at the end of previous period	4,297,642	4,240,170
Changes of items during the period		
Dividends from surplus	(116,605)	(116,602)
Net income (loss)	59,133	(60,140)
Total changes of items during the period	(57,471)	(176,743)
Balance at the end of current period	4,240,170	4,063,427
Treasury stock		
Balance at the end of previous period	(130,599)	(130,708)
Changes of items during the period		
Purchase of treasury stock	(109)	(64,612)
Total changes of items during the period	(109)	(64,612)
Balance at the end of current period	(130,708)	(195,320)
Total shareholders' equity		
Balance at the end of previous period	8,205,203	8,147,623
Changes of items during the period		
Dividends from surplus	(116,605)	(116,602)
Net income (loss)	59,133	(60,140)
Purchase of treasury stock	(109)	(64,612)
Total changes of items during the period	(57,580)	(241,355)
Balance at the end of current period	8,147,623	7,906,267

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	6,471	(8,259)
Changes of items during the period		
Net changes of items other than shareholders' equity	(14,731)	7,849
Total changes of items during the period	(14,731)	7,849
Balance at the end of current period	(8,259)	(410)
Deferred gains or losses on hedges		
Balance at the end of previous period	159	(1,564)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,723)	1,229
Total changes of items during the period	(1,723)	1,229
Balance at the end of current period	(1,564)	(334)
Total valuation and translation adjustments		
Balance at the end of previous period	6,631	(9,824)
Changes of items during the period		
Net changes of items other than shareholders' equity	(16,455)	9,078
Total changes of items during the period	(16,455)	9,078
Balance at the end of current period	(9,824)	(745)
Total net assets		
Balance at the end of previous period	8,211,834	8,137,798
Changes of items during the period		
Dividends from surplus	(116,605)	(116,602)
Net income (loss)	59,133	(60,140)
Purchase of treasury stock	(109)	(64,612)
Net changes of items other than shareholders' equity	(16,455)	9,078
Total changes of items during the period	(74,036)	(232,276)
Balance at the end of current period	8,137,798	7,905,522

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	267,486	(212,995)
Depreciation and amortization	45,958	31,472
Amortization of goodwill	15,699	15,699
Amortization of negative goodwill	(161)	(161)
Impairment loss	10,467	—
Increase (decrease) in allowance for doubtful accounts	4,998	1,824
Increase (decrease) in provision for bonuses	(4,284)	(8,952)
Increase (decrease) in provision for retirement benefits	(18,719)	(10,503)
Increase (decrease) in provision for directors' retirement benefits	—	(81,090)
Loss on valuation of golf club memberships	—	5,712
Interest and dividend income	(4,964)	(895)
Interest expenses	14,683	4,194
Foreign exchange losses (gains)	695	12,458
Gain on sales of investment securities	(24,319)	—
Loss on sales of investment securities	450	—
Loss (gain) on valuation of investment securities	—	39,168
Loss (gain) on sales of investment securities	—	(3,636)
Loss (gain) on sales of property, plant and equipment	80	747
Loss on retirement of property, plant and equipment	843	3,791
Loss on retirement of intangible assets	—	143
Litigation settlement	26,188	—
Gain on maturity of insurance contract	—	(84,178)
Loss on business restructuring	—	79,781
Decrease (increase) in notes and accounts receivable-trade	885,632	627,931
Decrease (increase) in inventories	13,338	369,971
Increase (decrease) in notes and accounts payable-trade	(470,399)	(311,582)
Decrease (increase) in consumption taxes refund receivable	(96,817)	(175,441)
Decrease (increase) in advances payments	(1,031)	(129,181)
Increase (decrease) in advances received	(10,968)	(4,027)
Other, net	10,702	12,989
Subtotal	665,558	318,240
Interest and dividends income received	4,720	1,027
Interest expenses paid	(14,497)	(3,404)
Litigation settlement paid	(26,188)	—
Payments for business restructuring	—	(78,379)
Income taxes refund	64,690	7,061
Income taxes paid	(29,587)	(12,598)
Net cash provided by (used in) operating activities	664,697	231,946

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Net cash provided by (used in) investing activities		
Payments into time deposits	(154,137)	(6,064)
Proceeds from withdrawal of time deposits	90,120	134,185
Purchases of investment securities	—	(13,016)
Proceeds from sales of investment securities	34,393	7,562
Purchases of property, plant and equipment	(8,643)	(1,889)
Proceeds from sale of property, plant and equipment	3	32
Purchase of intangible assets	(15,318)	(2,375)
Payments of loans receivable	(872)	(740)
Collection of loans receivable	356	933
Proceeds from cancelation of insurance policies	7,084	181,883
Increase in other investments	(36,257)	(2,163)
Decrease in other investments	361	49,476
Net cash provided by (used in) investing activities	(82,907)	347,824
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(230,000)	(550,000)
Repayments of lease obligations	—	(575)
Purchase of treasury stock	(109)	(64,612)
Cash dividends paid	(116,499)	(116,601)
Net cash provided by (used in) financing activities	(346,608)	(731,788)
Effect of exchange rate change on cash and cash equivalents	(358)	(11,768)
Net increase (decrease) in cash and cash equivalents	234,822	(163,786)
Cash and cash equivalents at beginning of period	2,231,879	2,466,702
Cash and cash equivalents at end of period	2,466,702	2,302,915

5. Non-Consolidated Financial Statements**(1) Balance Sheets**

(Thousands of yen)

	FY 2008 (As of December 31, 2008)	FY 2009 (As of December 31, 2009)
ASSETS		
Current assets		
Cash and deposits	1,360,095	2,209,091
Notes receivable-trade	122,717	111,931
Accounts receivable - trade	*4 2,609,725	3,421,255
Merchandise	1,105,490	1,590,853
Supplies	7,436	7,034
Advance payments-trade	—	133,760
Prepaid expenses	40,777	32,655
Deferred tax assets	196,806	191,415
Short-term loans receivable	*4 2,000,000	—
Accounts receivable - other	103,635	45,584
Income taxes receivable	39	1,425
Consumption taxes receivable	441,944	558,303
Other	1,485	2,487
Allowance for doubtful accounts	(466)	(460)
Total current assets	7,989,687	8,305,338
Noncurrent assets		
Property, plant and equipment		
Buildings	115,490	124,123
Accumulated depreciation	93,710	93,341
Buildings, net	21,780	30,782
Tools, furniture and fixtures	328,776	291,102
Accumulated depreciation	300,497	267,177
Tools, furniture and fixtures, net	28,279	23,924
Land	—	598
Total property, plant and equipment	50,059	55,305
Intangible assets		
Goodwill	—	23,646
Telephone subscription right	2,577	4,862
Software	31,800	31,419
Total intangible assets	34,377	59,928
Investments and other assets		
Investment securities	53,329	34,653
Stocks of subsidiaries and affiliates	1,185,866	199,879
Claims provable in bankruptcy, claims provable in rehabilitation and other	495	7,437
Long-term prepaid expenses	244	839
Deferred tax assets	24,247	212,165
Lease and guarantee deposits	131,921	130,842
Insurance funds	186,429	186,429
Long-term loans receivable from employees	1,139	820
Other	—	1,778
Allowance for doubtful accounts	(459)	(7,065)
Total Investments and other assets	1,583,212	767,780
Total noncurrent assets	1,667,649	883,014
Total assets	9,657,337	9,188,352

PALTEK CORPORATION (7587) Financial Results for the Year Ended December 2009

(Thousands of yen)

	FY 2008 (As of December 31, 2008)	FY 2009 (As of December 31, 2009)
LIABILITIES		
Current liabilities		
Accounts payable-trade	479,100	498,229
Short-term loans payable	580,000	30,000
Accounts payable-other	209,633	190,533
Accrued expenses	34,592	43,804
Income taxes payable	13,373	9,067
Advances received	—	135,421
Deposits received	36,697	32,904
Provision for bonuses	29,049	41,027
Other	7,494	3,542
Total current liabilities	1,389,941	984,530
Noncurrent liabilities		
Negative goodwill	—	243
Provision for retirement benefits	1,358	25,476
Provision for directors' retirement benefits	196,022	162,563
Other	38,652	38,842
Total noncurrent liabilities	236,033	227,126
Total liabilities	1,625,974	1,211,656
NET ASSETS		
Shareholders' equity		
Capital stock	1,339,634	1,339,634
Capital surplus		
Legal capital surplus	1,678,512	1,678,512
Total capital surpluses	1,678,512	1,678,512
Retained earnings		
Legal retained earnings	46,100	46,100
Other retained earnings		
General reserve	5,400,000	5,400,000
Retained earnings brought forward	(292,351)	(291,485)
Total earned surpluses	5,153,748	5,154,614
Treasury stock	(130,708)	(195,320)
Total shareholders' equity	8,041,187	7,977,441
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(8,259)	(410)
Deferred gains or losses on hedges	(1,564)	(334)
Total valuation and translation adjustments	(9,824)	(745)
Total net assets	8,031,362	7,976,696
Total liabilities and net assets	9,657,337	9,188,352

(2) Statements of Income

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Net sales	12,990,044	13,781,612
Cost of Sales		
Beginning goods	840,943	1,105,490
Cost of purchased goods	11,260,069	11,333,773
Transfer of goods by merger	—	711,394
Processing cost	*1 32,420	*1 29,112
Commission fee	7,724	5,648
Total	12,141,158	13,185,418
Transfer to other account	*2 7,881	*2 3,559
Ending merchandise	1,105,490	1,590,853
Cost of goods sold	11,027,786	11,591,005
Gross Profit	1,962,258	2,190,607
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	454	2,397
Directors' compensations	126,396	105,570
Salaries and allowances	671,266	940,954
Bonuses	204,808	160,331
Welfare expenses	112,420	134,407
Provision for bonuses	28,545	40,616
Rent expenses	222,822	246,646
Depreciation	33,897	26,095
Commission fee	93,785	91,410
Other	379,040	*3 486,712
Total selling, general and administrative expenses	1,873,437	2,235,144
Operating income (loss)	88,820	(44,536)
Non-operating income		
Interest income	31,006	6,538
Dividend income	1	1
Foreign exchange gains	319,750	—
Business commission income from associate companies	14,399	1,988
Gain on sales of investment securities	14,759	3,585
Insurance premiums refunded cancellation	—	8,109
Amortization of negative goodwill	—	120
Other	4,962	9,363
Total non-operating income	384,879	29,706

PALTEK CORPORATION (7587) Financial Results for the Year Ended December 2009

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Non-operating expenses		
Interest expense	14,108	4,479
Commission fee	3,323	5,157
Losses on assignment of promissory notes	2,609	1,739
Losses on assignment of accounts receivable	6,800	12,390
Foreign exchange losses	—	13,769
Other	2,325	3,719
Total non-operating expenses	29,167	41,255
Ordinary income (loss)	444,532	(56,086)
Extraordinary income		
Gain on extinguishment of tie-in shares	—	275,176
Reversal of provision for directors' retirement benefits	—	509
Gain on sales of investment securities	—	51
Reversal of warranty reserve	—	19,407
Gain on reversal of guarantee liabilities	6	—
Total extraordinary income	6	295,144
Extraordinary loss		
Loss on extinguishment of tie-in shares	—	160,132
Loss on sales of noncurrent assets	—	*4 606
Loss on retirement of noncurrent assets	*5 338	*5 3,887
Impairment loss	*6 4,153	—
Loss on sales of investment securities	450	—
Loss on valuation of investment securities	—	39,168
Restructuring loss	—	49,881
Loss on valuation of golf club membership	—	3,517
Total extraordinary losses	4,942	257,194
Income (loss) before income taxes	439,596	(18,135)
Income taxes-current	4,730	4,709
Income taxes-deferred	187,388	(140,313)
Total income taxes	192,118	(135,604)
Net income	247,477	117,468

(3) Statement of Changes in Shareholders' Equity

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	1,339,634	1,339,634
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	1,339,634	1,339,634
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	1,678,512	1,678,512
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	1,678,512	1,678,512
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	46,100	46,100
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	46,100	46,100
Other retained earnings		
General reserve		
Balance at the end of previous period	5,400,000	5,400,000
Changes of items during the period		
Changes of items during the period	—	—
Balance at the end of current period	5,400,000	5,400,000
Retained earnings brought forward		
Balance at the end of previous period	(423,224)	(292,351)
Changes of items during the period		
Dividends from surplus	(116,605)	(116,602)
Net income	247,477	117,468
Total changes of items during the period	130,872	866
Balance at the end of current period	(292,351)	(291,485)
Total retained earnings		
Balance at the end of previous period	5,022,875	5,153,748
Changes of items during the period		
Dividends from surplus	(116,605)	(116,602)
Net income	247,477	117,468
Total changes of items during the period	130,872	866
Balance at the end of current period	5,153,748	5,154,614
Treasury stock		
Balance at the end of previous period	(130,599)	(130,708)

(Thousands of yen)

	FY 2008 (Fiscal year ended Dec. 31, 2008)	FY 2009 (Fiscal year ended Dec. 31, 2009)
Changes of items during the period		
Purchase of treasury stock	(109)	(64,612)
Total changes of items during the period	(109)	(64,612)
Balance at the end of current period	(130,708)	(195,320)
Total shareholders' equity		
Balance at the end of previous period	7,910,423	8,041,187
Changes of items during the period		
Dividends from surplus	(116,605)	(116,602)
Net income	247,477	117,468
Purchase of treasury stock	(109)	(64,612)
Total changes of items during the period	130,763	(63,745)
Balance at the end of current period	8,041,187	7,977,441
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	3	(8,259)
Changes of items during the period		
Net changes of items other than shareholders' equity	(8,263)	7,849
Total changes of items during the period	(8,263)	7,849
Balance at the end of current period	(8,259)	(410)
Deferred gains or losses on hedges		
Balance at the end of previous period	159	(1,564)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,723)	1,229
Total changes of items during the period	(1,723)	1,229
Balance at the end of current period	(1,564)	(334)
Total valuation and translation adjustments		
Balance at the end of previous period	162	(9,824)
Changes of items during the period		
Net changes of items other than shareholders' equity	(9,986)	9,078
Total changes of items during the period	(9,986)	9,078
Balance at the end of current period	(9,824)	(745)
Total net assets		
Balance at the end of previous period	7,910,586	8,031,362
Changes of items during the period		
Dividends from surplus	(116,605)	(116,602)
Net income	247,477	117,468
Purchase of treasury stock	(109)	(64,612)
Net changes of items other than shareholders' equity	(9,986)	9,078
Total changes of items during the period	120,776	(54,666)
Balance at the end of current period	8,031,362	7,976,696