

PALTEK

(JASDAQ:7587)


Fiscal Year 2010 Second Quarter Explanatory Meeting

(English translation of original presentation)

August 10, 2010


 **Agenda**

- 1 Results of FY2010Q2**
- 2 Revised Guidance of FY2010**
- 3 New Programs**



1 Results of FY2010Q2

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 **FY2010Q2 Results: Income statement**
(three months ended)

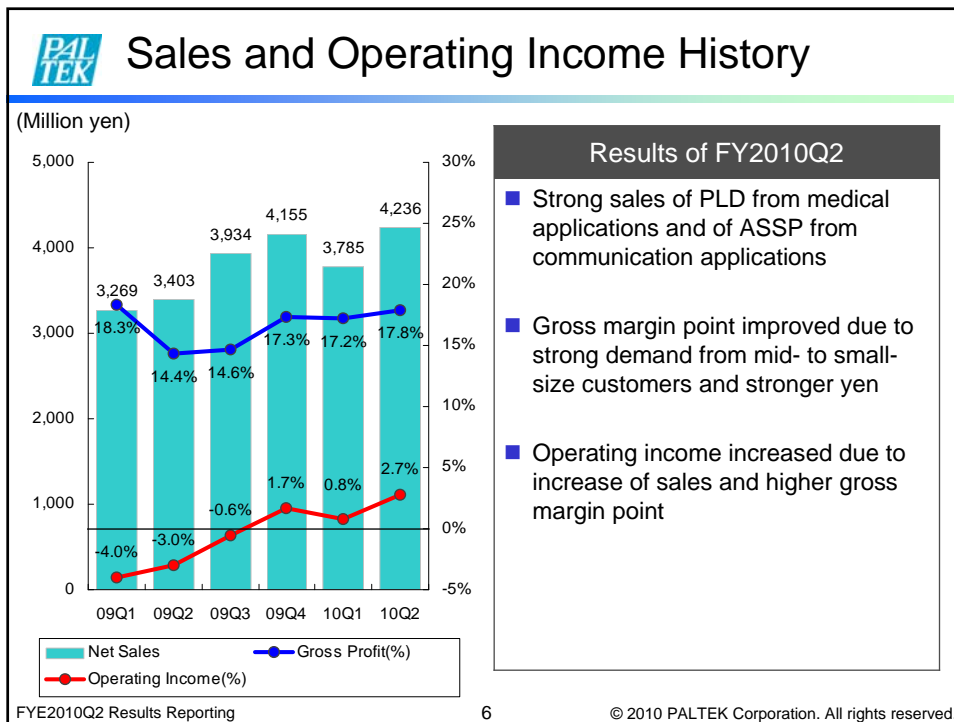
(Million Yen)	FY2009 Q2	FY2010 Q2	Change	Change (%)	Main reasons for change
Sales	3,403	4,236	833	24.5%	Strong sales from PLD for medical applications and ASSP for communication applications
Gross Margin	489	755	266	54.4%	Increased sales from mid to smaller size customers and strong yen contributed to higher gross margin
Gross Margin(%)	14.4%	17.8%	3.4%	-	
SGA	589	639	50	8.5%	Increase from bonus for employees
Operating Income	(100)	116	216	-	
Operating Income (%)	(3.0%)	2.7%	5.7%	-	
Ordinary Income	(95)	155	250	-	Gain of 41 million yen from exchange rate
Net Income	39	86	47	120.5%	

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FY2010Q2 Results: Income statement (six months ended)

(Million Yen)	FY2009 Q2	FY2010 Q2	Change	Change (%)	Main reasons for change
Sales	6,672	8,021	1,349	20.2%	Increased sales of PLD and ASSP from industrial and communication applications
Gross Margin	1,088	1,406	318	29.2%	Increased sales from mid to smaller size customers and strong yen contributed to higher gross margin
Gross Margin(%)	16.3%	17.5%	1.2%	-	
SGA	1,318	1,259	(59)	(4.5%)	Improved break-even point by mergers of subsidiaries since April 2009
Operating Income	(230)	147	377	-	
Operating Income (%)	(3.4%)	1.8%	5.2%	-	
Ordinary Income	(185)	186	371	-	Gain of 43 million yen from exchange rate
Net Income	(84)	95	179	-	

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PALTEK FY2010Q2 Results: Balance Sheet

	(Million yen)	2009 End	2010 Q2	Change	Main reasons for changes
Assets	Cash and Equivalent	2,302	2,755	452	Collections of A/R
	Account Receivable	3,544	3,462	(82)	
	Inventory	1,590	1,483	(107)	
	Other Current Assets	973	1,221	247	
	Fixed Assets	690	589	(104)	
Asset Total		9,102	9,509	406	
Liabilities & Equity	Account Payable	498	727	228	
	Short-term Loans	-	-	-	
	Other Current Liabilities	465	609	144	
	Fixed Liabilities	233	232	(0)	
	Net Equity	7,905	7,939	34	
Liabilities & Equity Total		9,102	9,509	406	

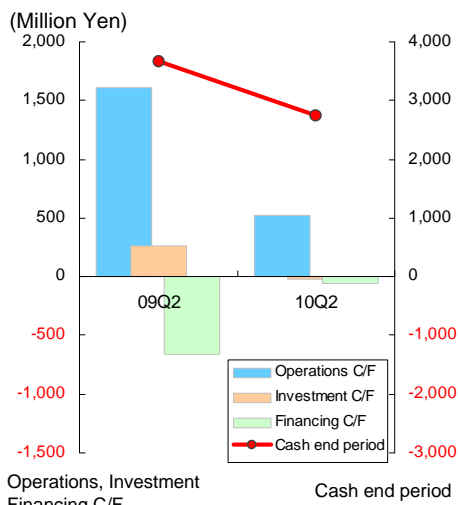
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PALTEK FY2010Q2 Results: Cash flow

Cash flow comparison



(Million yen)	FY2009 Q2	FY2010 Q2
Operations C/F	1,604	522
Investment C/F	261	(19)
Financing C/F	(665)	(57)
Cash end period	3,661	2,755

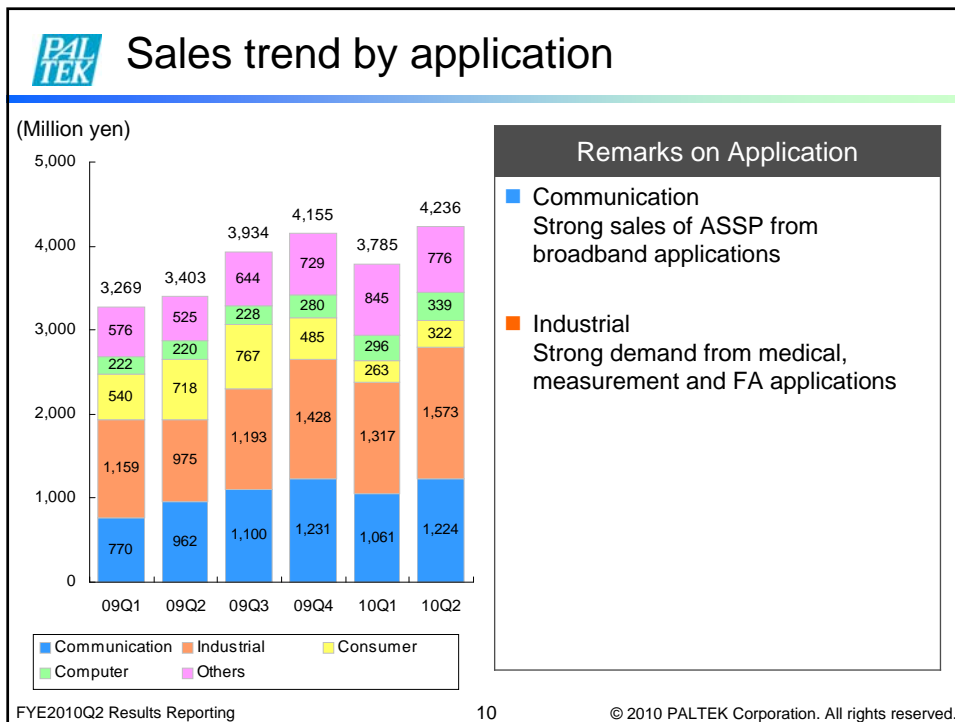
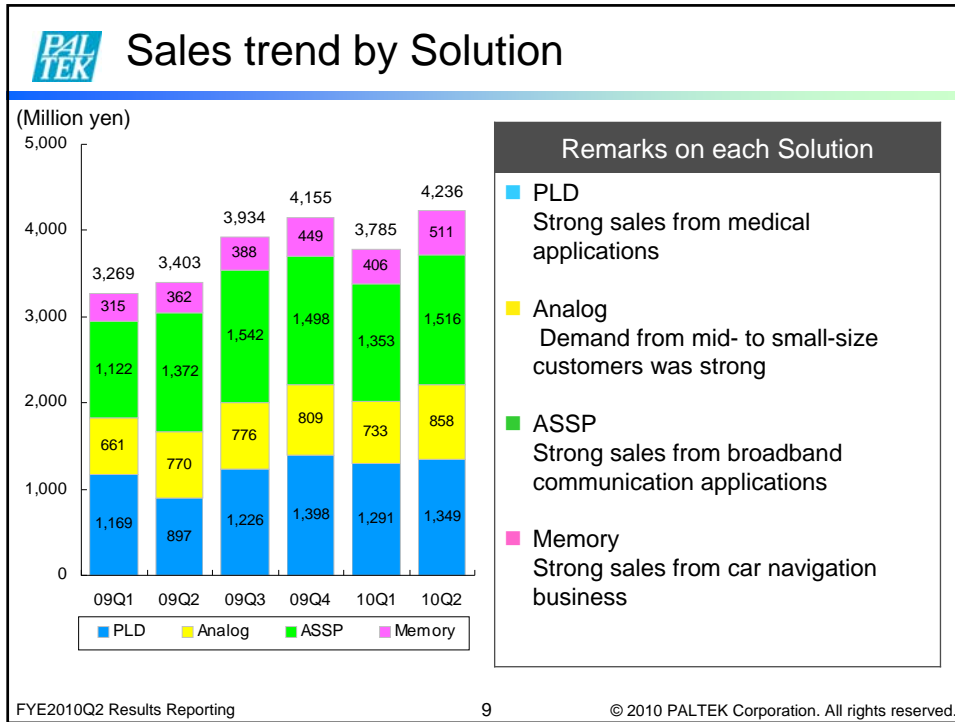
Movement of the cash flow

- C/F from Operations : Surplus due to increases of Account Payables and deferred sales tax
- C/F from Investment : Decrease due to obtaining fixed asset
- C/F from Financing : Decrease from payouts of dividends

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Revised Guidance of FY2010



Revised guidance for FY2010

Announced revised guidance for the first half of FY2010 on July 23

- 1st half results
 - Strong sales from medical, industrial and broadband communication business
 - Higher gross margin point due to strong yen
 - Resulted higher profits than previous guidance

- Fiscal year FY2010
 - No change is made for the 2nd half guidance at this point
 - Therefore, the new guidance reflects the changes made for the 1st half of this fiscal year

PALTEK FY2010 Revised Guidance

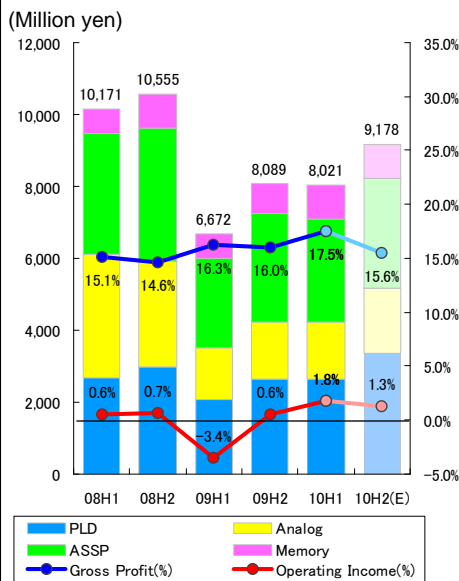
(Million yen)	Original FY2010 Guidance (May 12)			Revised FY2010 Guidance (August 10)		
	H1	H2	Full Year	H1	H2	Full Year
Net Sales	7,800	9,200	17,000	8,021	9,178	17,200
Gross profit	1,350	1,430	2,780	1,406	1,428	2,835
GP (%)	17.3%	15.5%	16.4%	17.5%	15.6%	16.5%
SGA	1,250	1,310	2,560	1,259	1,310	2,570
Operating Income	100	120	220	147	117	265
Operating Income(%)	1.3%	1.3%	1.3%	1.8%	1.3%	1.5%
Ordinal Income	90	100	190	186	98	285
Net Income	40	60	100	95	59	155

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PALTEK Sales guidance by application



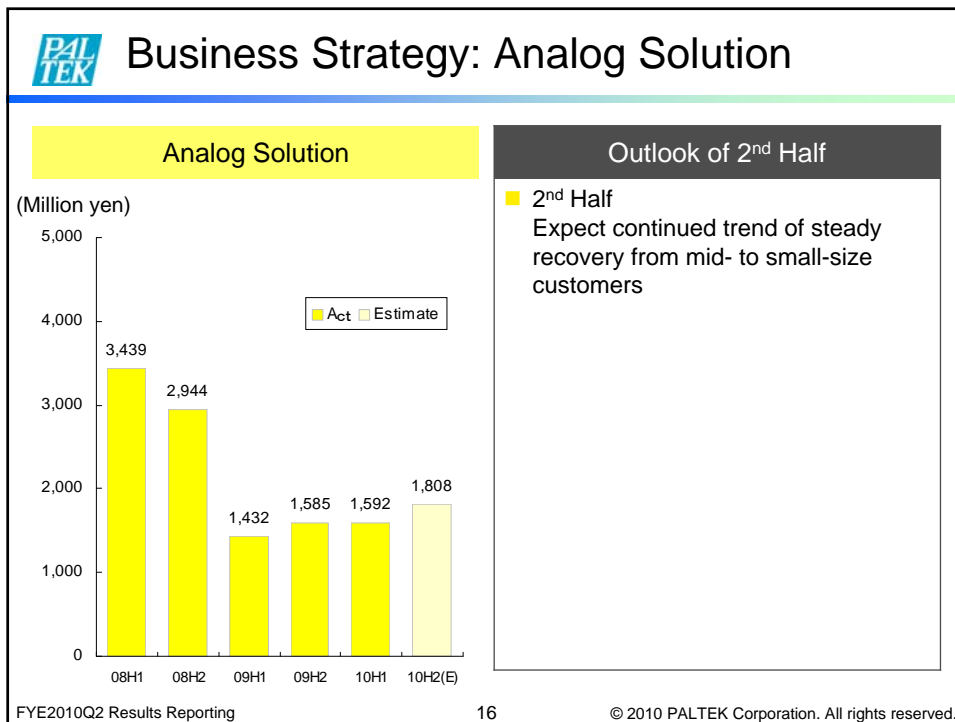
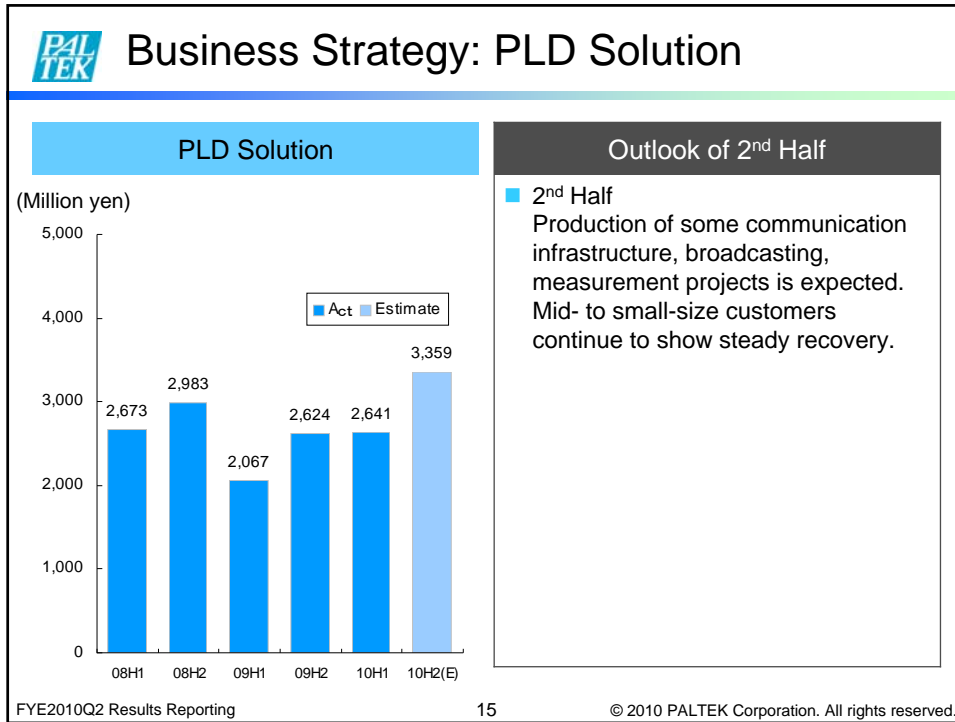
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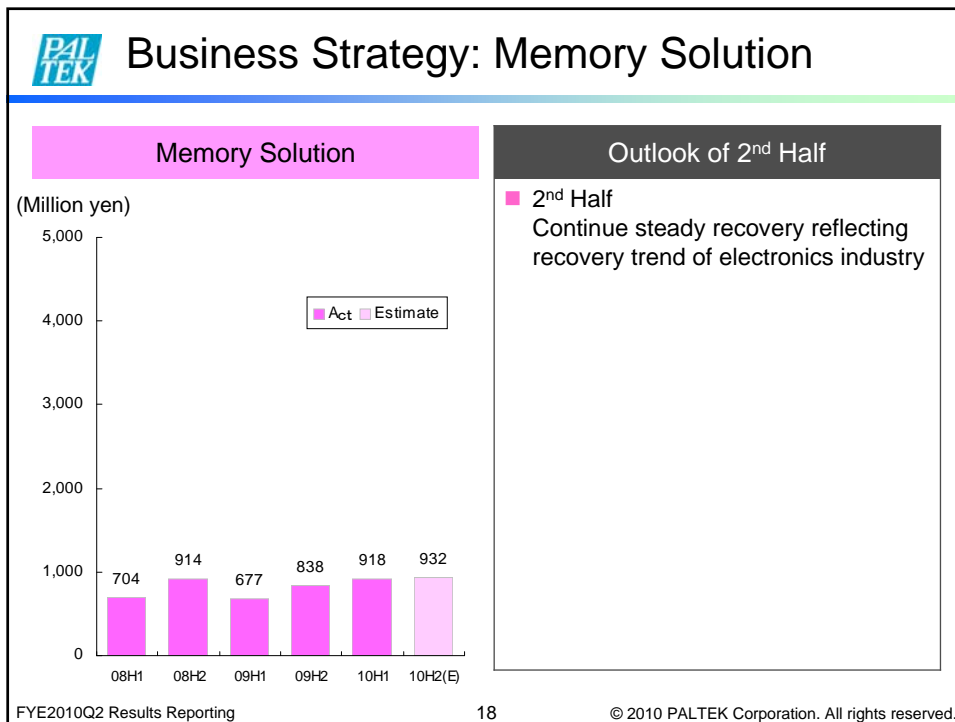
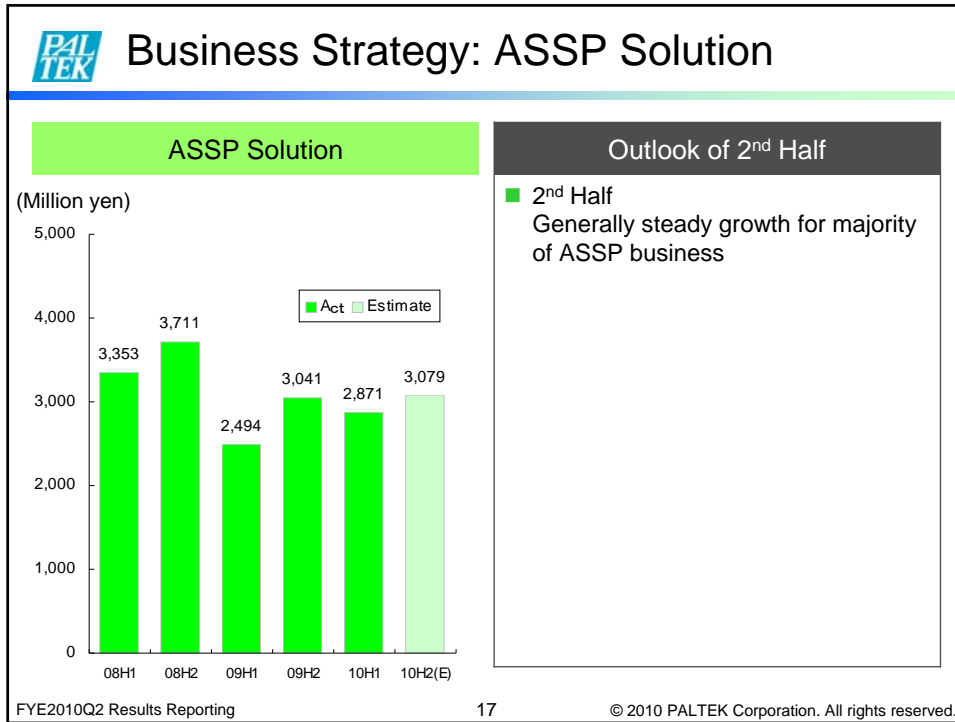
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Outlook for FY2010

- Sales**
Demand from mid- to small-size customers continue to show strong recovery. Production stage starts for several key communication and industrial projects.
- Gross Margin**
Expect lower gross margin due to production of some large projects
- Operating Income**
Continue to be profitable despite lower gross margin point thanks to improved break-even point and strict cost saving measures







New Programs



New Supplier Partners

New Products

■ NetLogic Microsystems



- Products : Network processor, 10/40/100 G PHY,
Knowledge-base processor
Low-power embedded processor
- Target markets : Communication infrastructure
3G/4G mobile wireless infrastructure

■ ADD Semiconductor



- Products : Power Line Communication (PLC) SoC
- Target markets : lighting, energy management
for buildings and home



Strengthen Design Service Business

New Evaluation Board

- Names as “HYUGA II”
- Developed for evaluation of DSP designs
- Target Markets: Wireless and image systems
- Goals: More identifications of PLD and design service businesses



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Develop Smart Energy Solution

Participated “Smart Grid 2010” Show

- Goal :Develop new customer base
- Date :June 16 through June 18, 2010
- Theme :Energy control solution
- Key exhibits
 - Visualization of smart grid system solution
 - Energy monitoring and control system
 - Power Line Communication solution
 - Energy harvest
 - Next generation energy control system for factory
- 6000+ visitors recorded



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Develop Smart Energy Solution

- Became a member of “Smart Community Alliance” sponsored by NEDO
- A joint research project by iD, PALTEK and Tohoku University received a grant from strategic fundamental engineering research sponsored by Ministry of Economy and Industry

Project	Research and development of energy control management system for next generation factory
Overview	By conversion of power sensor and wireless technology, develop energy control system by visualizing the state of how recyclable energy and storage battery can work together

- Now participating in Fukuoka Smart House Consortium
 - PALTEK is responsible for developing wireless network for smart house field test



Future

**PALTEK will aim to play roles
in achieving energy-smart
society**

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