

PALTEK

(JASDAQ:7587)


Fiscal Year 2010 Explanatory Meeting


(English translation of original presentation)

February 9, 2011


 **Agenda**

- 1 Results of FY2010**
- 2 Guidance of FY2011**
- 3 Business Plans for FY2011**



 **Results of FY2010**

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 **FY2010 Summary**

Summary

- Overall economy improved helped by recovery of export, various government stimulus policies and new growing markets such as smart-phones
- Company profits improved
 - Growth of PLD Business
 - Improved break-even point
 - Level of Japanese yen stayed high
 - New focus on smart energy market
- Announced the termination of distribution contract with National Semiconductor effective March 31, 2011

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FY2010 Results: Income statement

(Million Yen)	FY2009	FY2010	Change	Change (%)	Main reasons for change
Sales	14,762	16,499	1,737	11.8%	PLD for industrial applications grew
Gross Margin	2,383	2,864	480	20.2%	Gross margin improved thanks to growth of PLD business and strong Japanese yen
Gross Margin(%)	16.1%	17.4%	1.2	-	
SGA	2,566	2,541	(24)	(1.0%)	
Operating Income	(182)	322	505	-	
Operating Income (%)	(1.2%)	2.0%	3.2	-	
Ordinary Income	(103)	448	551	-	Gain of 132 million yen from exchange rate
Net Income	(60)	238	298	-	

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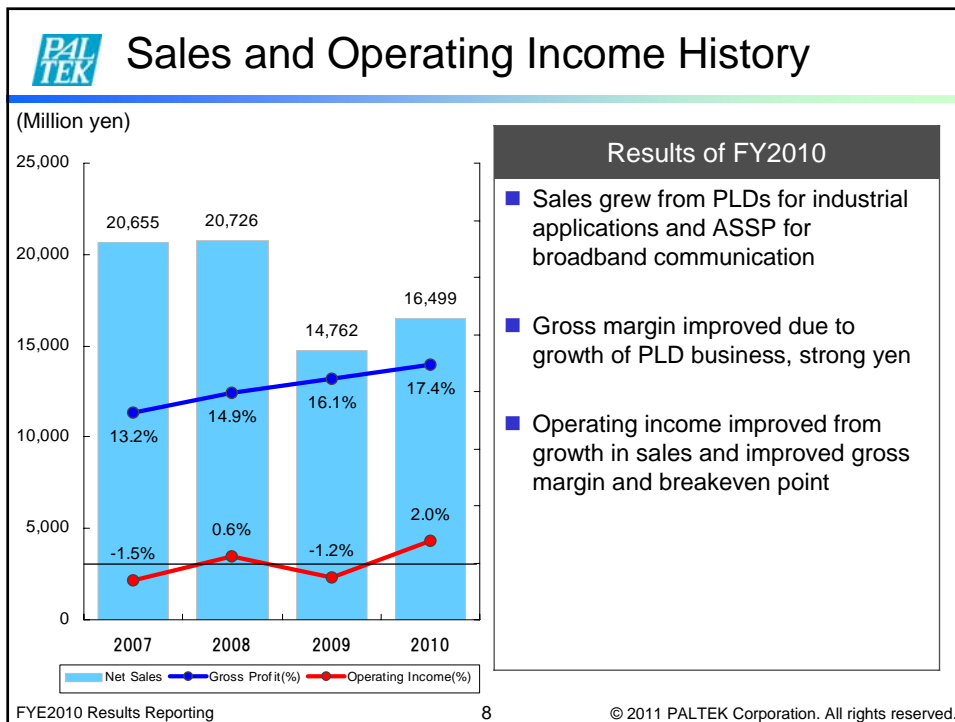
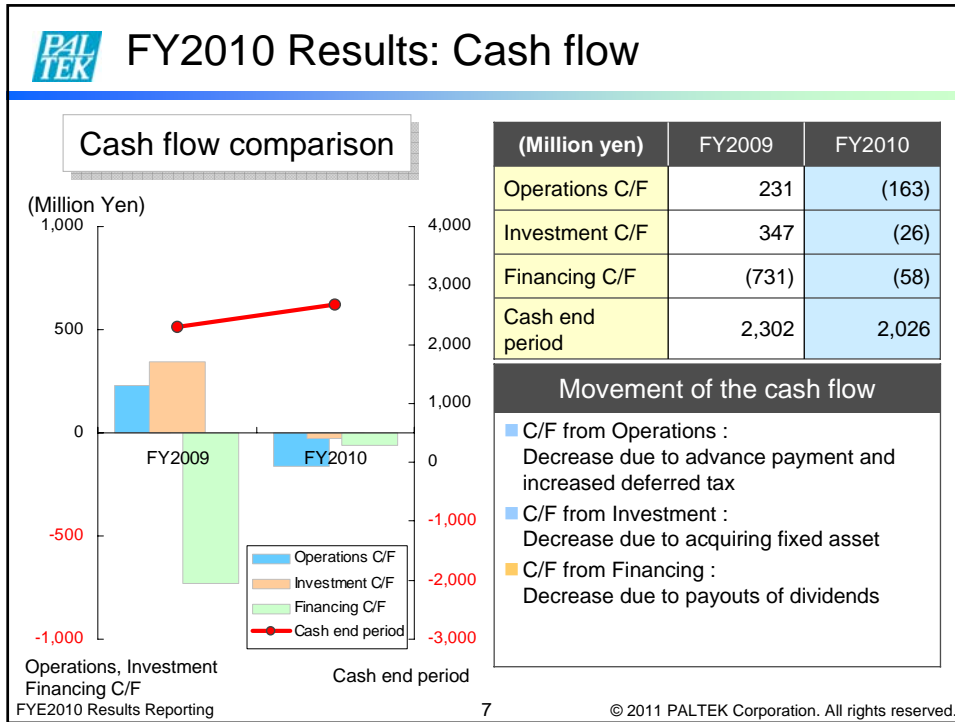

FY2010 Results: Balance Sheet

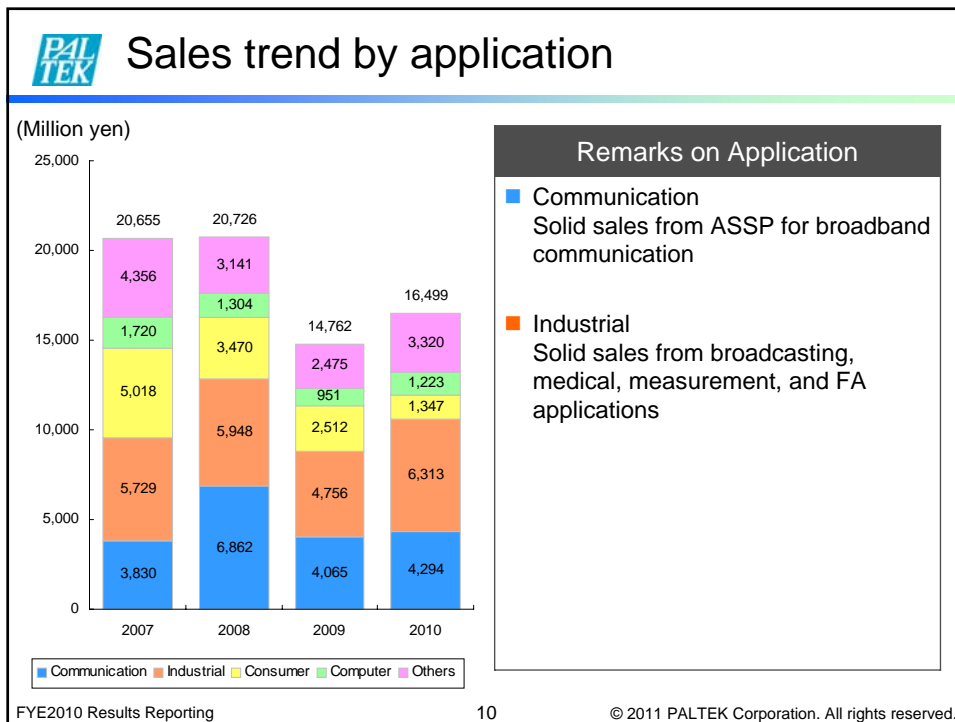
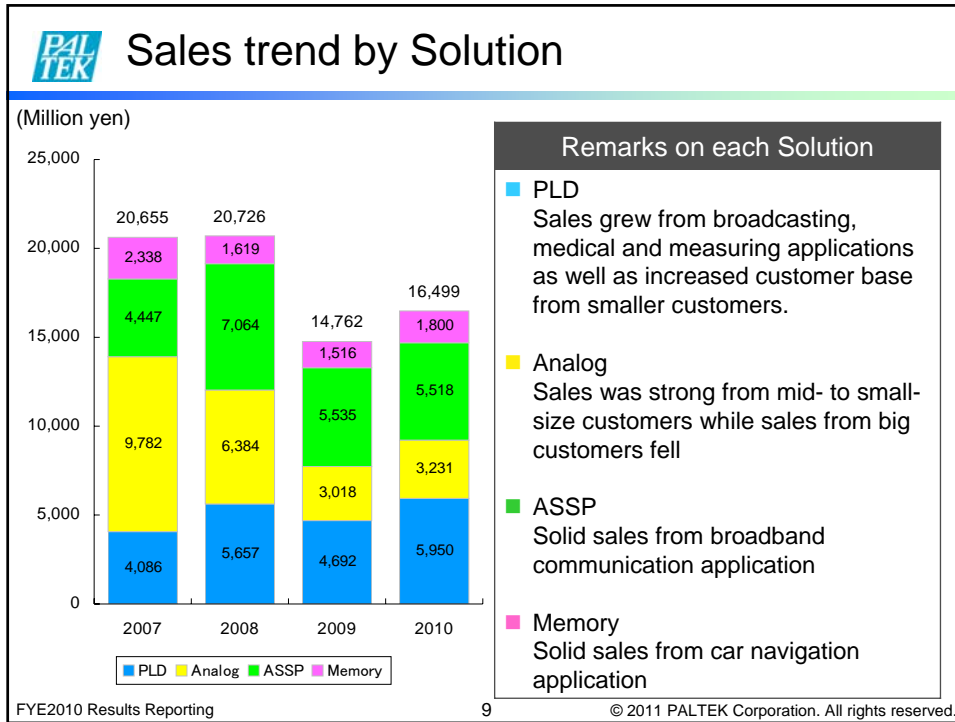
	(Million yen)	2009	2010	Change	Main reasons for changes
Assets	Cash and Equivalent	2,302	2,026	(276)	
	Account Receivable	3,544	3,485	(59)	
	Inventory	1,590	1,635	44	
	Other Current Assets	973	2,160	1,186	Advance payment, increased deferred sales tax
	Fixed Assets	690	467	(223)	
Asset Total		9,102	9,774	671	
Liabilities & Equity	Account Payable	498	566	68	
	Short-term Loans	-	-	-	
	Other Current Liabilities	465	888	423	Advance payment recieved
	Fixed Liabilities	233	234	1	
	Net Equity	7,905	8,084	178	
Liabilities & Equity Total		9,102	9,774	671	

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Guidance of FY2011



Prospects of FY2011

- **General market**
 - The sluggish first half is expected due to a reaction of stimulus policies and those endings last year and overall low capital investment from enterprise sector. Better second half expected from growing market of smart-phones and others
- **Business prospects for the company**
 - Analog business is expected to decrease due to termination of National business by the end of March, 2011.
 - Expects further growth for PLD and ASSP business
- **Engineering capabilities and solution will drive business**
 - Growth of existing line cards
 - Drive deployments of new line cards
 - Deployment of smart grid business
 - Strength of design service business

PAL **TEK** FY2011 Guidance

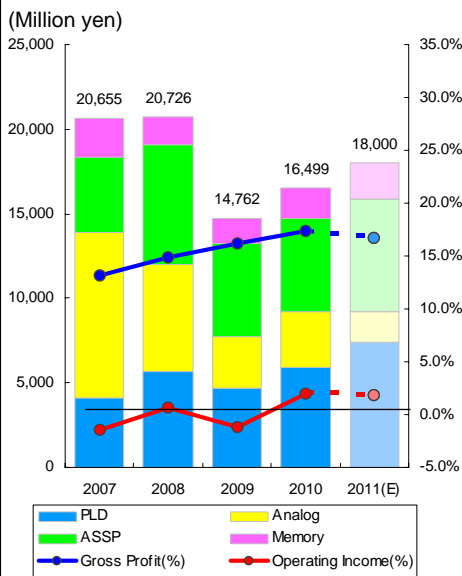
(Million yen)	FY2010 Results			FY2011 Guidance		
	H1	H2	Full Year	H1	H2	Full Year
Net Sales	8,021	8,478	16,499	8,000	10,000	18,000
Gross profit	1,406	1,457	2,864	1,375	1,640	3,015
Gross profit(%)	17.5%	17.2%	17.4%	17.2%	16.4%	16.8%
SGA	1,259	1,282	2,541	1,335	1,350	2,685
Operating Income	147	175	322	40	290	330
Operating Income(%)	1.8%	2.1%	2.0%	0.5%	2.9%	1.8%
Ordinal Income	186	262	448	30	270	300
Net Income	95	142	238	18	162	180

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PAL **TEK** Sales guidance by application



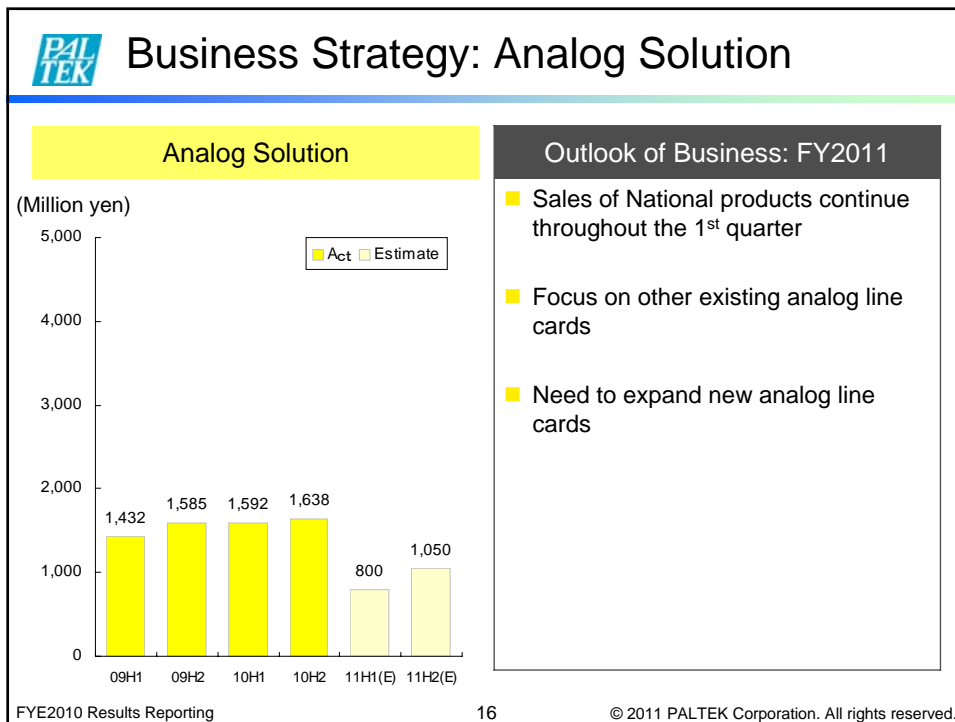
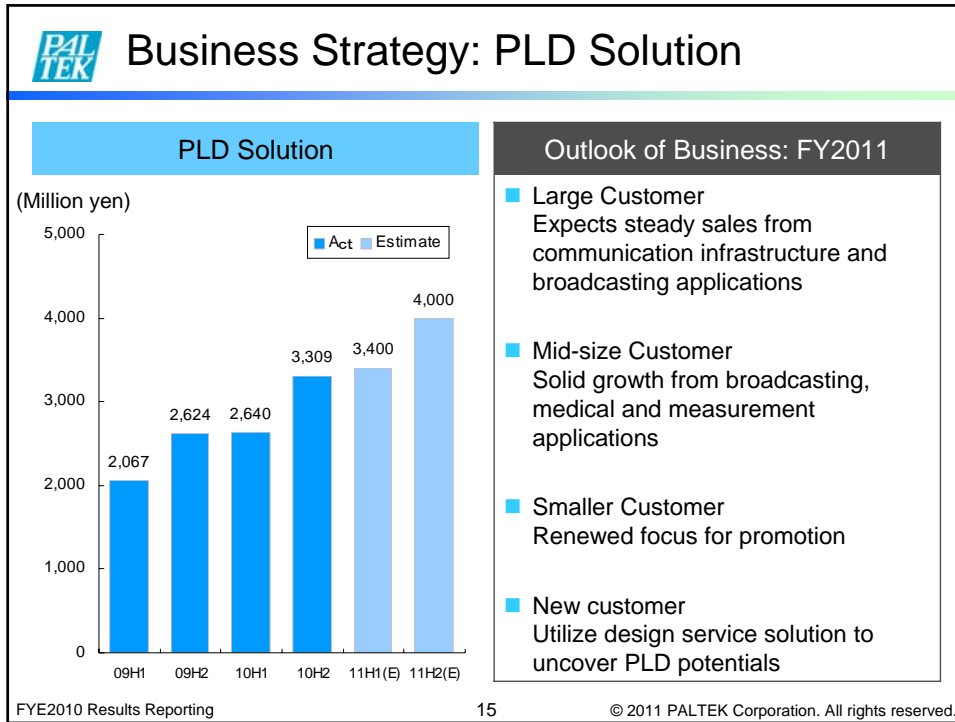
Outlook for FY2011

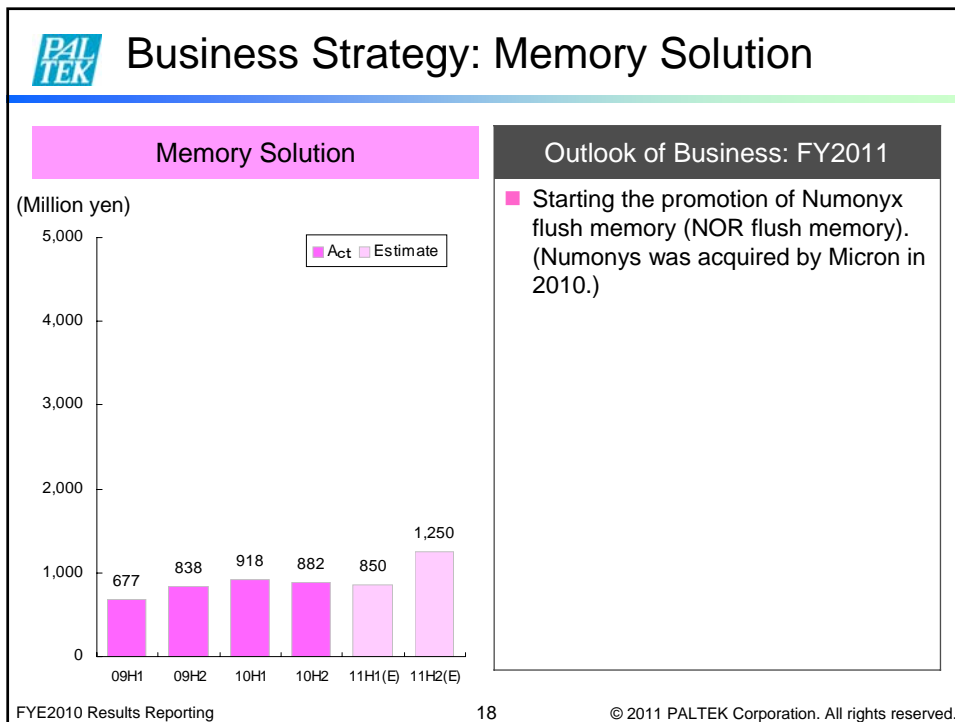
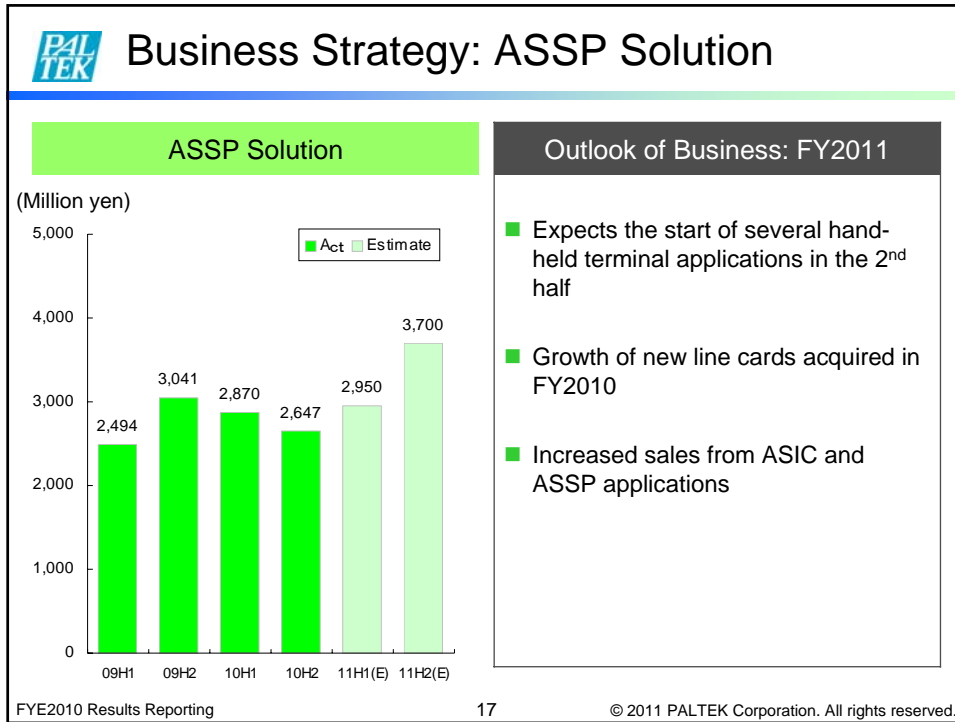
- Sales**
 Analog business will decrease due to termination of National business. PLD and ASSP businesses expect to grow steadily
- Gross Margin**
 Lower gross margin expected in the second half due to the start of production for several large projects
- Operating income**
 Slight decrease is expected due to increase in sales force and slightly lower gross margin point

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Future business strategies



Future Business Strategies

- Expand the existing business
- Increase new product offerings
- Deployment of smart grid business
- Strength design service business



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Expand the existing business

PLD Business

- Volume productions starts for past design-win projects
 - Communication, Broadcasting, Measurement, Medical
- Win new design targets

Analog Business

- Starting new analog line cards
- Focus on consumer and industrial applications

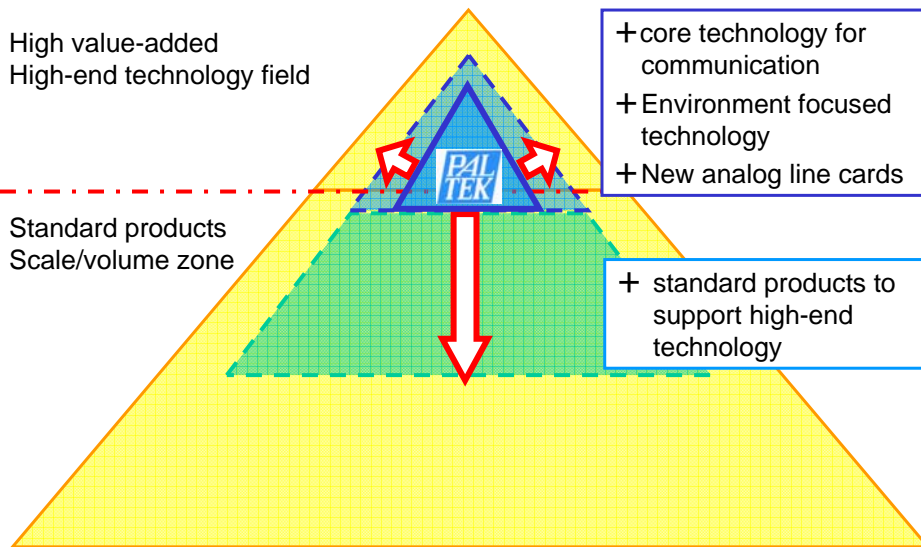
ASSP Business

- Communication infrastructure, smart-phones
 - ASSP for Touch-pad and other key parts
- ASSP for interface
 - For Server, storage, broadcasting

PAL **TEK** Future Business Strategies

- Expand the existing business
- Increase new product offerings
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PAL **TEK** Increase new product offerings



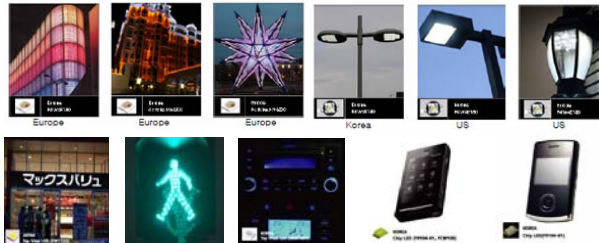
PAL Increase new product offerings (1)
TEK

Seoul Semiconductor



SEOUL SEMICONDUCTOR

- Complete LED solution supplier from chip to package products (Headquarters: Seoul, Korea)
- FY2009 performance: 450 billion won (about 33.5 billion yen), Top 4 LED manufacturers
- Wide range of application applications: lights (decoration, lights for factory), office appliances, communication terminals, home appliances, industrial application



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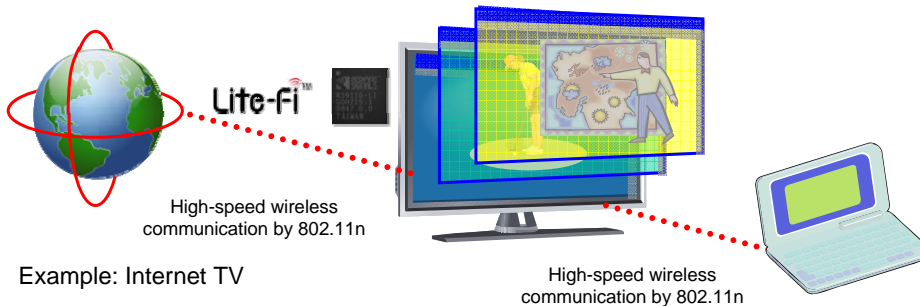
PAL Increase new product offerings (2)
TEK

Redpine Signals



REDPINE SIGNALS®
Expanding Wireless Horizons

- Chipset and module offerings for 802.11n wireless LAN compliance
- Ultra low power, support for long life-time products, smaller-volume applications
- Catered for consumer, enterprise and embedded applications



Example: Internet TV

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PALTEK Increase new product offerings (3)

Discera

discera

- MEMS (Micro-electro-mechanical system): necessary parts to synchronize timing in digital circuits
- Better performance in cost, delivery and reliability as compared to crystal units
- Broad application coverage

Enterprise: Storage, Server, PBX, PC

Industrial: Medical, Surveyland, FA, Tester

Consumer: Flat TV, Digital camera, Mobile phone, xDSL, DVD recorder

Crystal units → MEMS

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PALTEK Future Business Strategies

- Expand the existing business
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PALTEK Target for smart energy solution

[Actions of PALTEK]

- June 2010: At Smart Grid tradeshow 2010
 - 6000+ visitors to the PALTEK booth
- July 2010: Held Smart Grid Seminar
 - Building network with government and key players in industry
- March 2011: Participation to Smart Grid EXPO
- June 2011: Original Smart Grid seminar

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PALTEK Deployment of Smart Energy Solution

Accomplishments and plans

- Has been awarded the grant in cooperation with ID Corporation and Tohoku University sponsored by ministry of economy and industry
 - Development of next generation energy management system
- Participation to Fukuoka Smart House consortium
 - PALTEK is responsible for developing wireless network application for smart house experiment project
- Development of "solar simulator" (tentatively named)
 - Collaboration with dSPACE
 - Development of simulation and control systems for solar panel by combining dSPACE's simulation capabilities and PALTEK's HILS (Hardware in the Loop Simulation) engineering capabilities from PLD knowledge
- Distribution Agreement with PLC solution supplier, ADD
 - ADD offers PRIME-compliant PLC solutions and already experienced in Europe

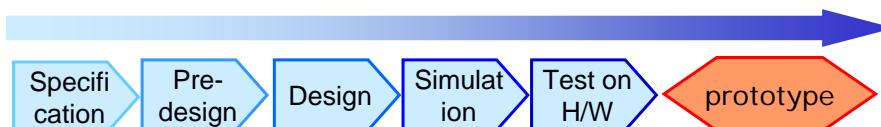
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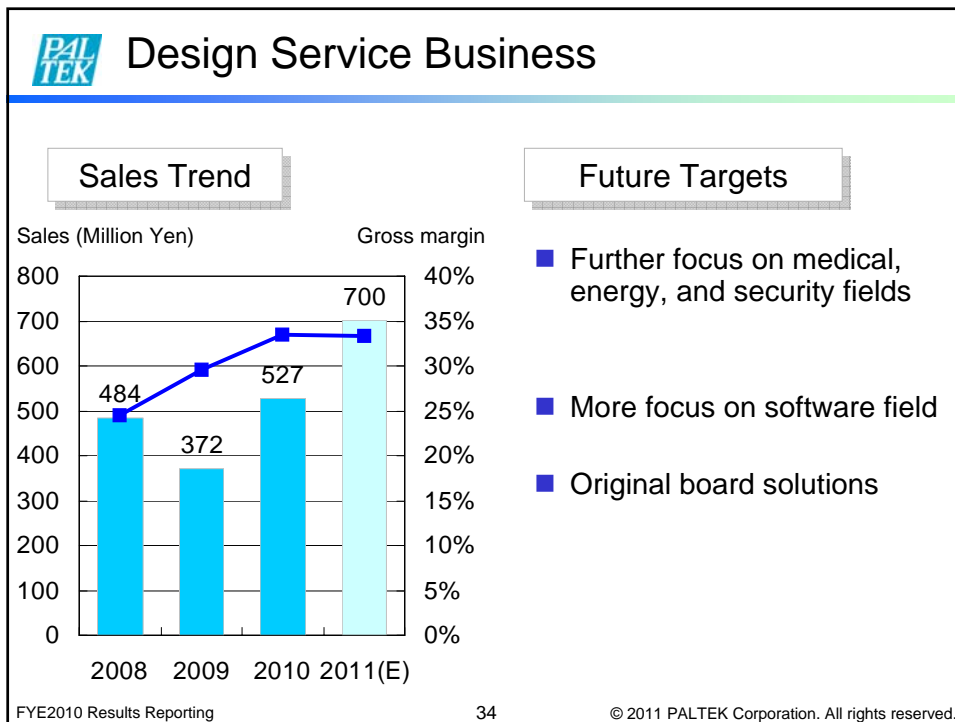
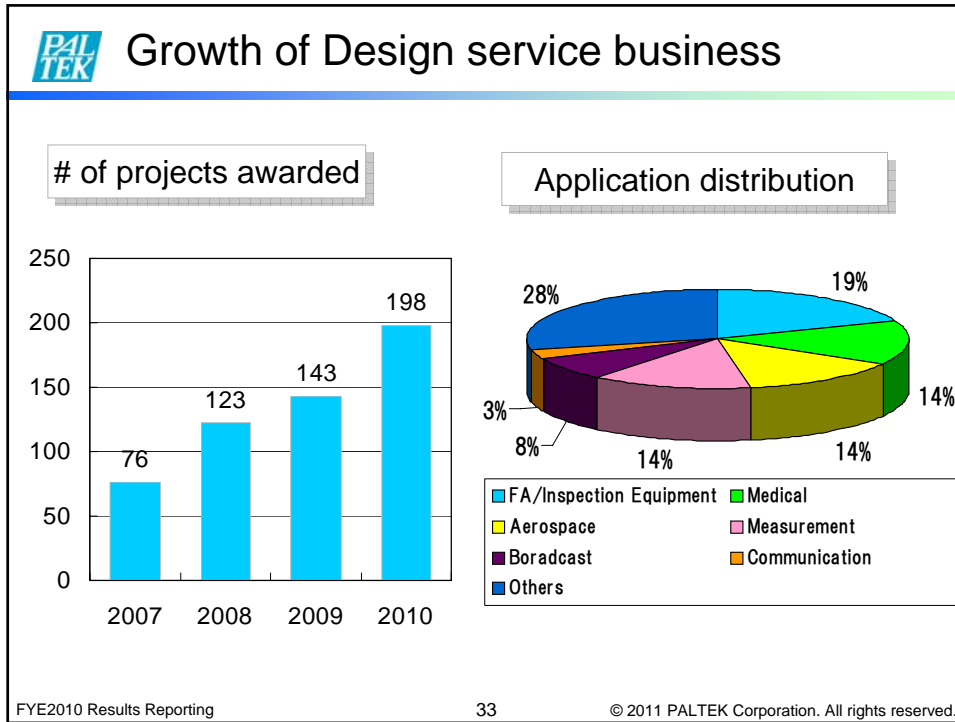
PAL Future Business Strategies

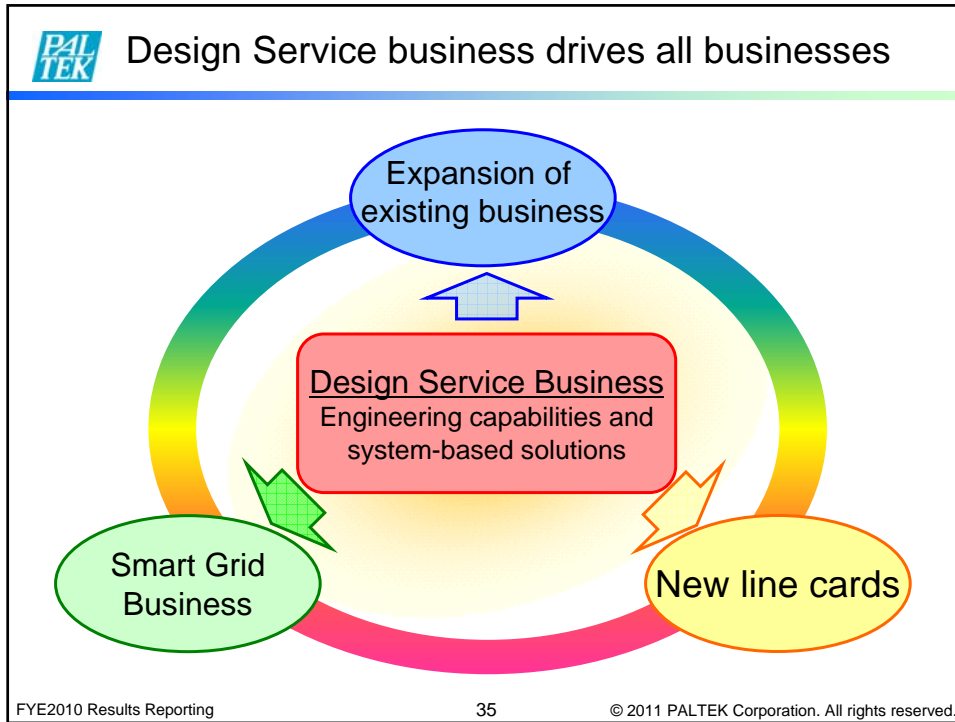
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PAL Design Service Solution Offerings

- From specification stage till prototype and production stages
 - Board designs
 - Hardware development
 - Software development







PAL FY2011 dividend payout plan

Policy for dividends

- Continue to allocate appropriate dividends in considerations to build a strong operating foundation and to finance future business initiatives
- Stable payouts and balance of profits to dividends ratio

Dividends

- Fiscal end dividend payout plan: 5 yen per share

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Reference

PAL FY2011 Sales Guidance by Solution
TEK

Sales Guidance

(Million yen)	FY2010 Results			FY2011 Guidance		
	H1	H2	Full Year	H1	H2	Full Year
PLD	2,640	3,309	5,950	3,400	4,000	7,400
Analog	1,592	1,638	3,231	800	1,050	1,850
ASSP	2,870	2,647	5,518	2,950	3,700	6,650
Memory	918	882	1,800	850	1,250	2,100
Sales Total	8,021	8,478	16,499	8,000	10,000	18,000
Operating Income	147	175	322	40	290	330

