

# **PALTEK**

**(JASDAQ:7587)**


## **Fiscal Year 2010 Third Quarter Explanatory Meeting**

**(English translation of original presentation)**

**November 9, 2010**

 **Agenda**

- 1 Results of FY2010Q3**
- 2 Revised Guidance of FY2010**
- 3 New Programs**





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## Results of FY2010Q3

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### FY2010Q3 Results: Income statement


(three months ended)

(Million Yen)	FY2009 Q3	FY2010 Q3	Change	Change (%)	Main reasons for change
Sales	3,934	4,306	372	9.5%	
Gross Margin	576	719	143	24.8%	Growth of PLD business helped improve gross margin
Gross Margin(%)	14.6%	16.7%	2.1%	-	
SGA	600	668	68	11.3%	Increase of bonus for employees as compared to previous year
Operating Income	(24)	50	74	-	
Operating Income (%)	(0.6%)	1.2%	1.8%	-	
Ordinary Income	(0)	98	98	-	Exchange gain of 51M yen
Net Income	(7)	53	60	-	

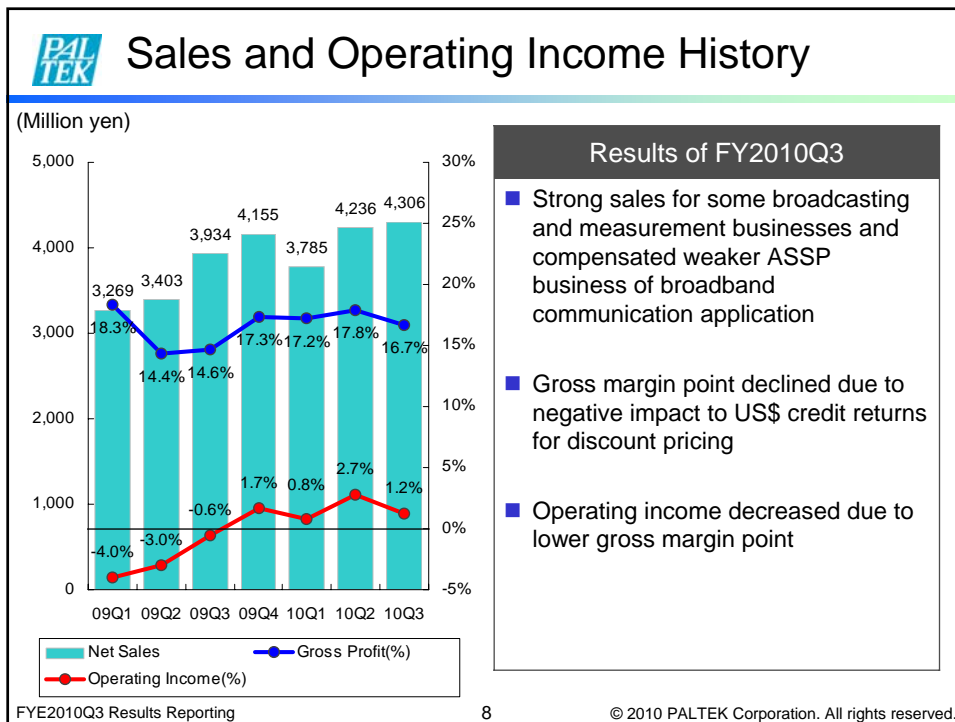
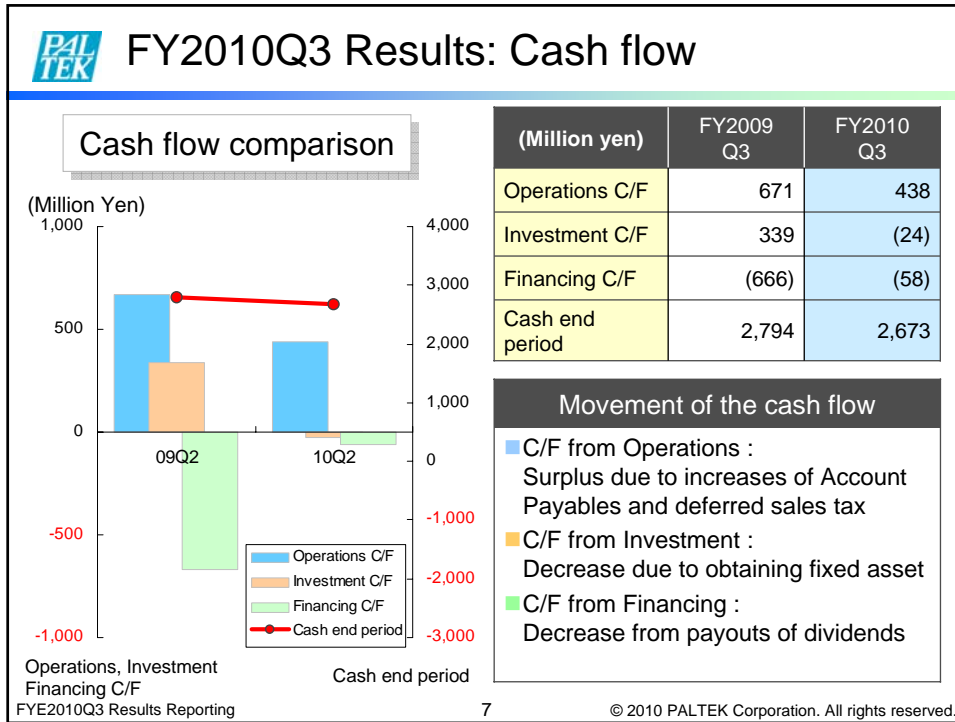
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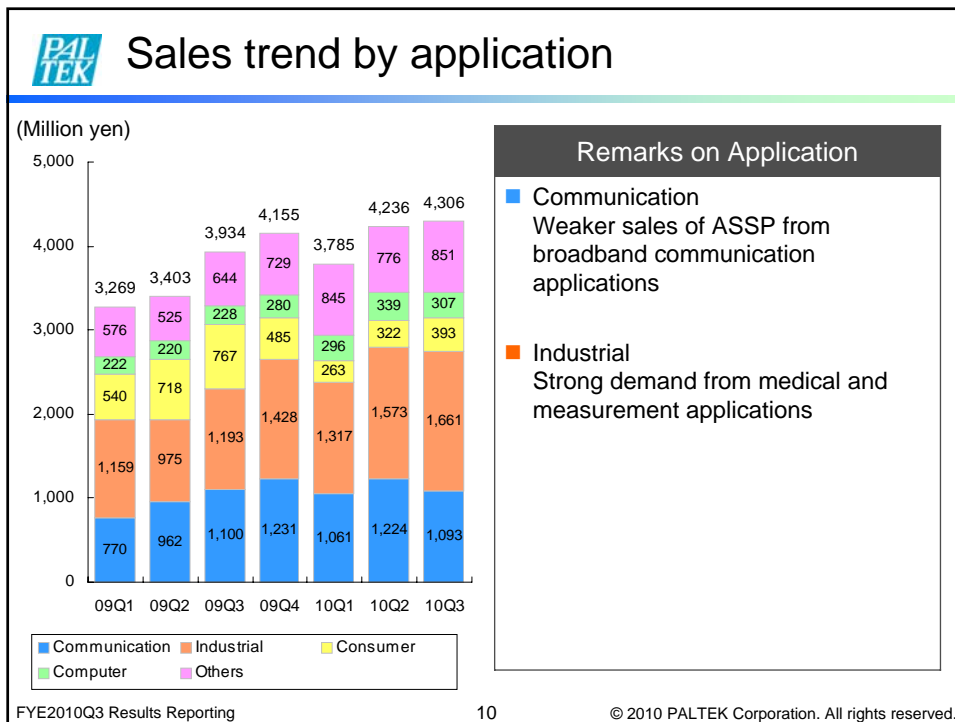
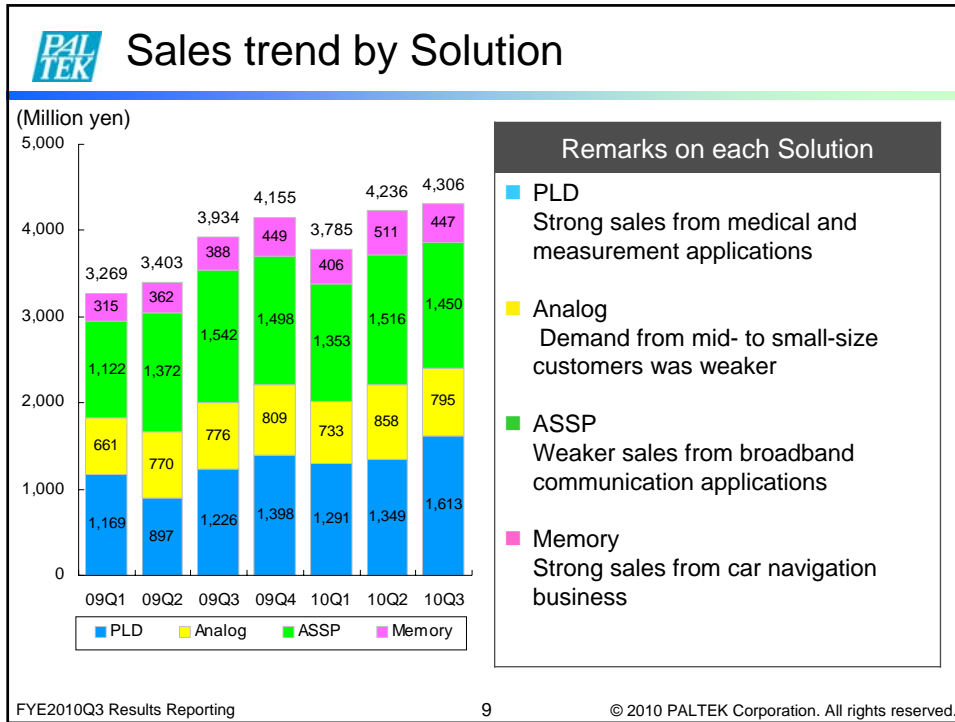
 <b>FY2010Q3 Results: Income statement</b> (nine months ended)					
(Million Yen)	FY2009 Q3	FY2010 Q3	Change	Change (%)	Main reasons for change
Sales	10,606	12,328	1,722	16.2%	
Gross Margin	1,644	2,125	481	29.3%	Growth of PLD business helped improve gross margin
Gross Margin(%)	15.7%	17.2%	1.5%	-	
SGA	1,918	1,928	10	0.5%	
Operating Income	(253)	197	450	-	
Operating Income (%)	(2.4%)	1.6%	4.0%	-	
Ordinary Income	(185)	284	469	-	Exchange gain of 94M yen
Net Income	(91)	149	240	-	

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 <b>FY2010Q3 Results: Balance Sheet</b>					
	(Million yen)	2009 End	2010 Q3	Change	Main reasons for changes
Assets	Cash and Equivalent	2,302	2,673	370	
	Account Receivable	3,544	3,540	(4)	
	Inventory	1,590	2,015	424	Prepared for sales growth in Q4
	Other Current Assets	973	983	10	
	Fixed Assets	690	588	(102)	Decrease of deferred tax
Asset Total		9,102	9,800	698	
Liabilities & Equity	Account Payable	498	1,005	507	Prepared for sales growth in Q4
	Short-term Loans	-	-	-	
	Other Current Liabilities	465	565	99	Increased reserve for employee bonus
	Fixed Liabilities	233	236	3	
	Net Equity	7,905	7,993	87	
Liabilities & Equity Total		9,102	9,800	698	

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## Topic

### Termination of distribution agreement with National Semiconductor

- Termination is effective March 31, 2011
  - Announced on August 31, 2010
  
- No impact to current fiscal year ending December 2010
  
- Actions
  - Return inventory
  - Accelerate other businesses (details in later pages)



## Guidance of FY2010



## Guidance for FY2010 (consolidated)

Maintain the current guidance announced in August  
Some risk factors are deployment speed of some major customer projects and exchange rate fluctuation

(Million yen)	Revised FY2010 Guidance (August 10)		
	H1	H2	Full Year
Net Sales	8,021	9,178	17,200
Gross profit	1,406	1,428	2,835
GP (%)	17.5%	15.6%	16.5%
SGA	1,259	1,310	2,570
Operating Income	147	117	265
Operating Income(%)	1.8%	1.3%	1.5%
Ordinal Income	186	98	285
Net Income	95	59	155

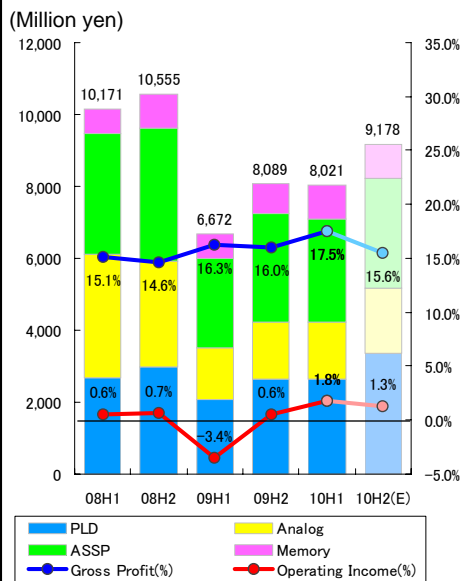
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## Sales guidance by application



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### Outlook for FY2010

- Sales**  
Production of some new projects are expected in this quarter and contribute to growth of sales, but speed of deployment looks slower than initially forecasted
- Gross Margin**  
Expect lower gross margin due to production of some large projects and increased US\$ credit returns for discount pricing
- Operating Income**  
Continue to be profitable despite lower gross margin point thanks to improved break-even point and strict cost saving measures



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## New Programs



## Accelerate new business (1)

### New Supplier: SiTel Semiconductor



- Ministry of General Affairs announced the introduction of new cordless phone guidance
  - Voice → Enable to handle video and high-speed data transmission
  - New guidance for digital cordless telephone radio wave (1.9GHz)
    - DECT standard, SuperPHS
- DECT(Digital Enhanced Cordless Telecommunication):
  - Originated and widely used in Europe. SiTel has already sold 60 million units (as of 2008)
- SiTel Semiconductor
  - **Product** :IC for cordless phones (DECT standard)
  - **Strength** :Long experience and high quality in DECT market
  - **Market** :Digital cordless phone, security and sensor markets



**PALTEK** Accelerate new business (2)

New Supplier: Redpine Signals



- 802.11n wireless LAN
  - Better than 100Mbps in actual performance in 2.4GHz/5GHz
  - Standardization in September of 2009
  - Drive promotions to consumer, enterprise and embedded applications
  
- Redpine Signals
  - **Product**: chipsets and module complied to 802.11n wireless LAN
  - **Strength**: Ultra low power consumption, long supply, service to small volume
  - **Market**: Embedded applications, consumer applications

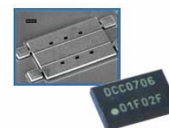


**PALTEK** Accelerate new business (3)

New Supplier: Discera



- Oscillator
  - Necessary product for digital circuits for timing
  - Quartz oscillator has been mainly used until now
  
- Discera
  - **Product** : MEMS (micro-electrical mechanical system) resonator
  - **Strength** : better performance than quartz oscillator in cost, availability, delivery and quality aspects
  - **Market** : Almost all electronics applications



**PAL** Strength smart energy solutions (1)

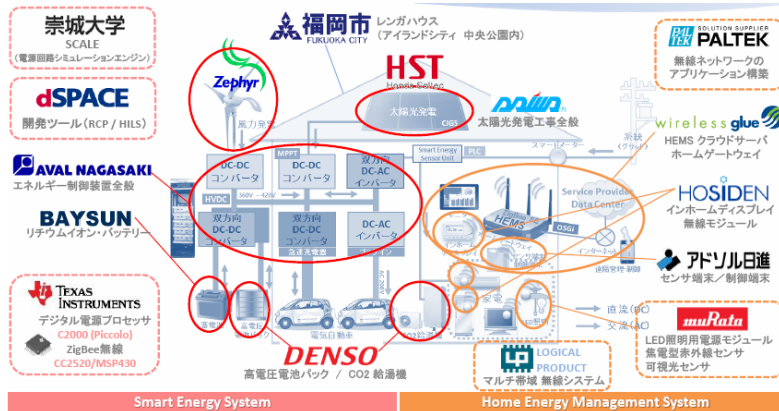
Actions on smart grid business

- Smart Grid task team, started in April 2010, has been promoted to Smart Grid Business Unit as of October 1<sup>st</sup> with dedicated members
  - Starting actual business from research phase

**PAL** Strength smart energy solutions (2)

Participation to Fukuoka Smart House Consortium

- Started field test in September of 2010 in aiming constructing autonomous power supply control system, which would lead to reduction of CO2 and efficient energy use





## Future

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

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## Reference

