



Paltek Corporation Reports 1999 First Half Results

First half revenue was Y6,139 million, an increase of 11% from the same period last year. Double digit sales growth resulted from Paltek maintaining strong focus on the network applications, primarily telecommunications and data communications equipment, accounting for approximately 75% of total company sales. Both operating profits and income before extraordinary items and provisions for taxes increased by 22% attaining Y924 million and Y966 million, respectively. Net income resulted in a Y35 million gain, or 10%, from the same period last year.

PALTEK CORPORATION CONDENSED NON-CONSOLIDATED STATEMENTS OF OPERATIONS (In Thousands of Yen) (Unaudited*)

	SIX MONTHS ENDED		YEARS ENDED		
	Jun. 30	Jun. 30	Dec. 31	Dec. 31	Dec. 31
	1999	1998	1998	1997	1996
SALES					
PLD Solutions	5,440,886	4,939,087	10,531,634	9,398,457	7,766,713
Network Solutions	653,631	582,171	1,306,345	804,769	411,848
Other	45,466	32,054	62,830	72,405	11,435
TOTAL SALES	6,139,983	5,553,312	11,900,810	10,275,632	8,189,997
Cost of sales	4,259,791	3,900,528	8,283,606	6,979,680	5,618,504
Gross Profit	1,880,192	1,652,784	3,617,204	3,295,951	2,571,492
Selling, general and administrative expenses	955,822	979,321	2,041,902	1,789,285	1,461,627
Income from Operations	924,369	673,461	1,575,301	1,506,666	1,109,865
Interest and other income, net	42,585	33,998	(81,891)	(52,742)	(53,243)
Income before extraordinary items and provision for taxes	966,954	707,459	1,493,409	1,453,923	1,056,622
Extraordinary items, net	13,500	(3,236)	(3,748)	(8,627)	(134,303)
Income before provision for taxes	980,454	704,223	1,489,660	1,445,295	922,319
Provision for taxes on income	579,495	338,000	755,187	737,394	543,310
Net Income	400,959	366,223	734,472	707,901	379,009
Retained earnings at beginning of year/term	191,155	168,490	168,490	93,047	51,369
Net income	400,959	366,223	734,472	707,901	379,009
Retained earnings at end of year/term	592,114	534,713	902,963	800,948	430,378

*The original statements, in Japanese, have been audited under the Japanese accounting standards.



PALTEK CORPORATION
CONDENSED NON-CONSOLIDATED BALANCE SHEETS
(In Thousands of Yen)
(Unaudited)

	SIX MONTHS ENDED		YEARS ENDED		
	Jun. 30	Jun. 30	Dec. 31	Dec. 31	Dec. 31
	1999	1998	1998	1997	1996
ASSETS					
Current Assets:					
Cash and cash equivalents	1,835,097	1,260,687	1,467,128	1,126,947	1,418,390
Short-term investments/Marketable securities	1,187,198	380,116	637,340	229,204	245,522
Accounts receivable, net	2,424,562	2,458,625	3,000,364	2,532,588	2,489,335
Trade notes receivable	758,617	497,841	880,213	817,147	521,373
Inventories	1,992,589	2,012,809	1,521,243	1,219,121	1,071,614
Supplies	5,792	2,161	6,281	3,906	2,446
Prepaid expenses	43,993	33,643	49,838	20,403	22,331
Accrued income	15,496	40,039	42,614	252,249	0
Other current assets	123,274	23,646	10,949	2,267	6,529
Total Current Assets	8,386,619	6,709,572	7,615,975	6,203,835	5,777,543
Fixed Assets:					
Property and equipment, net – tangibles	254,688	197,445	264,649	196,840	176,064
Intangibles	3,121	2,730	3,171	2,719	2,427
Investments and Other Assets:					
Investment in subsidiary	263,187	45,787	263,187	45,787	59,477
Investment securities	50,673	600	50,600	600	600
Other assets	332,094	256,426	269,095	165,261	121,493
Total Fixed Assets	903,763	502,991	850,704	411,209	360,062
TOTAL ASSETS	9,290,382	7,212,563	8,466,679	6,615,045	6,137,606
LIABILITIES & SHAREHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable – trade	869,877	513,364	435,045	60,205	832,998
Accounts payable – other	220,198	218,230	181,703	139,135	93,051
Short-term loans payable	1,550,000	1,950,000	1,500,000	2,000,000	2,470,000
Accrued liabilities – expenses	16,401	14,989	25,015	13,689	26,732
Income taxes payable	584,794	457,726	547,000	675,606	496,705
Deposits received	5,444	11,429	23,927	22,186	14,227
Other current liabilities	49,597	51,441	61,654	33,982	36,648
Total current liabilities	3,296,311	3,217,182	2,774,346	2,944,806	3,970,364
Long-term liabilities	227,357	197,967	210,670	180,540	140,173
Total liabilities	3,523,668	3,415,150	2,985,016	3,125,347	4,110,537
Shareholders' Equity:					
Capital	1,316,695	765,795	1,316,695	765,795	375,545
Capital reserve	1,455,305	690,205	1,455,305	690,205	295,545
Legal reserve	26,100	14,100	14,100	8,100	5,250
Retained earnings	2,968,614	2,327,313	2,695,563	2,025,598	1,350,728
Total shareholders' equity	5,766,714	3,797,413	5,481,663	3,489,698	2,027,068
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	9,290,382	7,212,563	8,466,679	6,615,045	6,137,606

*The original statements, in Japanese, have been audited under the Japanese accounting standards.



Change in Accounting Standards

Starting this accounting period (Six Months Ended June 30, 1999), Paltek has recognized Enterprise Tax in compliance to the new Japanese accounting standards. Previously, Enterprise Tax was recognized in Selling, General and Administrative Expenses. Under the new standards, Enterprise Tax is to be recognized in tax provisions along with all other Income Taxes. The following statements are for analyses and comparison purposes showing Income Statement highlights both under the previous and new standards.

ADJUSTED STATEMENTS OF OPERATIONS (In Millions of Yen)

		1997		1998		1999
		H1	FYE	H1	FYE	H1
Sales		5,018	10,275	5,553	11,900	6,139
Cost of sales		3,496	6,979	3,900	8,283	4,259
SG&A	(Previous Standard)	823	1,789	979	2,041	1,069
SG&A	(New Standard)	737	1,599	893	1,841	955
Operating profit	(Previous Standard)	698	1,506	673	1,575	810
	(New Standard)	784	1,696	759	1,775	924
Recurring profit*	(Previous Standard)	630	1,453	707	1,493	852
	(New Standard)	715	1,643	793	1,693	966
Net Income		293	707	366	734	400

*Reported figures are in bold

*Recurring profit = Income before extraordinary items and provision for taxes



COMPANY HEADQUARTERS

Company: Paltek Corporation
Address: 2-3-12 Shin-Yokohama, Kouhoku-ku
City/St/Zip: Yokohama 222-0033 Japan
Phone: +81-45-477-2016
Facsimile: +81-45-477-2010
Contact Name: Daniel Brandt, Investor Relations
E-Mail Address: daniel@paltek.co.jp
Web Site (URL): <http://www.paltek.co.jp>

COMPANY DESCRIPTION & CORPORATE INFORMATION

Industry: Wholesale Trade

Company Description:

Value-added reseller of leading edge technologies that include semiconductor devices (PLDs-Programmable Logic Devices, Network ASSPs-Application Specific Standard Products) and related software to the major electronics manufacturers of Japan. Highly focused on providing solutions to the communications industry where network equipment makers need faster development speeds to achieve faster time-to-market and introduce de-facto standards and products.

Ticker Symbol:	7587	Primary Exchange:	JASDAQ
Number of Employees:	156	No. of Shareholders:	561
Shares Outstanding:	7,908,600	Fiscal Year end:	December 31
Last Earnings Per Share:	Y 118.18	Latest Fiscal Year Sales:	Y 11.9 Billion

Note: Y = Japanese Yen
All figures as of December 31, 1998

KEY EXECUTIVES

TITLE	NAME:	YRS. W/CO:	AGE:
Chairman, CEO & President	Tadahito Takahashi	17yrs.	51yrs.
Director	David Wallace Brauer	15yrs.	38yrs.
Director	Sadahiro Horiko	14yrs.	51yrs.
Director	Masahiro Tate	10yrs.	37yrs.
Director	Hidekazu Shinohara	11yrs.	32yrs.
Director	Hideaki Handa	8yrs.	34yrs.
Director	Masanori Kanamori	1yr.	52yrs.
Director	Niall Keegan	8yrs.	34yrs.