

**(Translation)**

February 12, 2002

Tadahito Takahashi, President and CEO  
PALTEK Corporation  
( Security Code: 7587 )  
Person in charge: Yukio Miura,  
Director of Operational Services Division  
Tel: 045-477-2000

### **Notice of Board of Director's Resolution Regarding Sales of Shares**

PALTEK Corporation has approved the decision at the board meeting held on February 8<sup>th</sup>, 2002, to withdraw from management of Cygnet Technologies, Inc. and to transfer its equities to the convertible notes. This resolution is in response to the decision at the board meeting held on December 21, 2001 that includes the strategic revision concerning the Cygnet Technologies, Inc. and declaration of reserves for the related cost in the fiscal year 2001 ended December 2001.

#### 1. Reason and Share Transfer Date

Reason : Cygnet Technologies, Inc. has been a subsidiary of PALTEK Corporation with the mission of developing and creating edge network equipment since 1999. Due to the widening difference in business field and direction between the two companies, however, PALTEK board has decided to withdraw from the management and transfer all the equities to Cygnet Technologies.

Share Transfer Date : February 13, 2002

Procedure : PALTEK will transfer all equities of the Cygnet Technologies, Inc. owned by PALTEK (10,535,000 shares) in 976 million yen.  
Cygnet Technologies, Inc. will issue the equivalent amount of the convertible notes and PALTEK will underwrite all of them.

<Detail of the convertible notes>

Term	:10 years
Interest Rate	:3.37%
Conversion Price	:US\$ 3.66

Reserves for valuation loss of the Cygnet Technologies, Inc., which declared in the revisions to the business forecasts released on December 21, 2001, will be offset by the above convertible notes. Therefore, this transaction will have no influence on profits and losses in future.

Personnel Revision : Three PALTEK executives, among 2 were PALTEK board members, who served on Cygnet Board will resign from the Cygnet board on the same day as equity transfer.

## (Translation)

### 2. Outline of Cygnet Technologies, Inc.

Company Name	Cygnet Technologies, Inc.
Headquarters	750 State Highway, 121 Bypass, Suite 150 Lewisville, Texas 75067 U.S.A
Representative of Corporation	President & CEO Chuck Schmidt
Established	March 6, 1997
Business	Design and Development of Edge Communications Systems to enable the Broadband Needs
Fiscal Year End	December 31
Number of Payrolls	29
Capital	US\$ 8,255,000
Sales Amount	18 million yen (Fiscal Year ended December 2000)

### 3. Changes in Number and Percentage of Shares Owned by PALTEK

	Before Sales of Shares	After Sales of Shares
Number of Shares owned by PALTEK	10,535,000 shares	0
Percentage of Shares owned by PALTEK	93.6 %	0 %

### 4. Future Business Relationship

During the transitional period until Cygnet Technologies, Inc. will establish its branch office in Japan (as planning), PALTEK intends to continue the current business relationship with them. At the time of the establishment of the branch office, this business relationship will be terminated.

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Questions concerning this Press Release:

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