

PALTEK

(JASDAQ:7587)

Fiscal Year 2008 First Quarter Explanatory Meeting

(English translation of original presentation)

May 14, 2008

 **Agenda**

- 1 Results of FY2008Q1**
- 2 Guidance of FY2008**



Results of FY2008Q1



Business Environment

Semiconductor Markets related to PALTEK Group

- **PLD**
Maintained growth since late C2007 although the rate of growth is small
- **Analog**
Most of analog semiconductor companies recorded weak March quarter to start off CY2008
- **ASSP**
ASSPs for automotive market was strong, but ASSPs for communication, consumer and computer are weak
- **Memory**
Price remained stagnated for DDR2 512Mbit DRAMs


Results of Q1 FY2008 (Consolidated)

(Million yen)	06Q1	07Q1	Change (M Yen)	Change (%)	Main reasons for change
Sales	4,475	5,288	813	18.2%	PLD, ASSP were strong
Gross Margin	612	773	161	26.4%	Higher GPM% was achieved thanks to stronger Japanese yen and growth of high-margin products
Gross Margin (%)	13.7%	14.6%	-	-	
SGA	771	740	-31	-4.0%	Tight cost control
Operating Income	-159	33	192	-	
Operating Income (%)	-3.6%	0.6%	-	-	
Ordinary Income	-161	145	307	-	98 Million yen from exchange gain
Net Income	-93	68	162	-	

FY2008 Q1 Results Reporting

5

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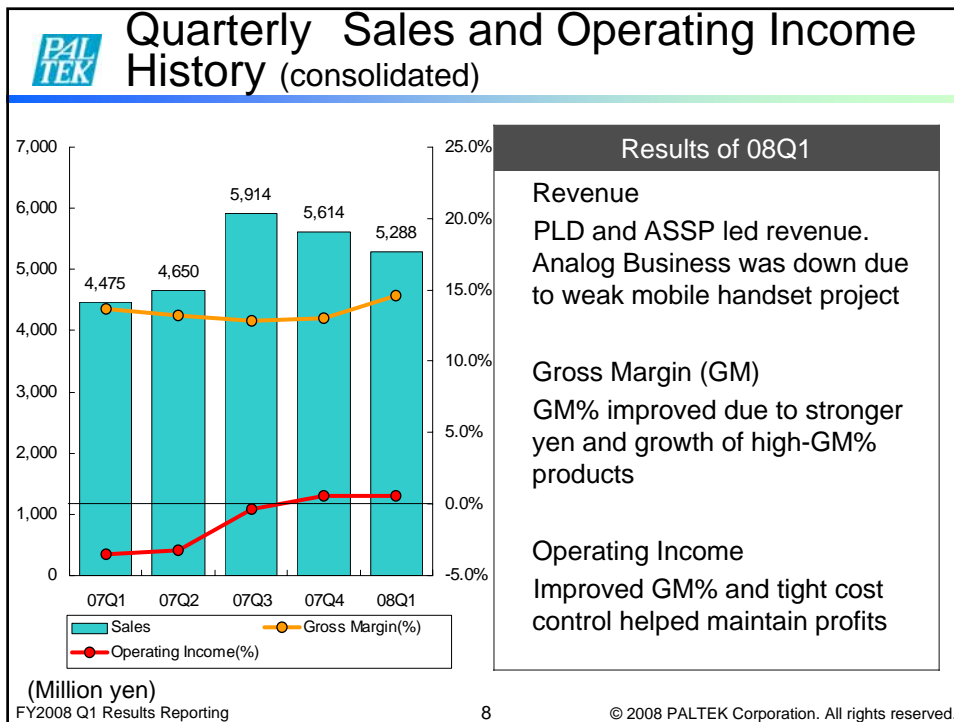
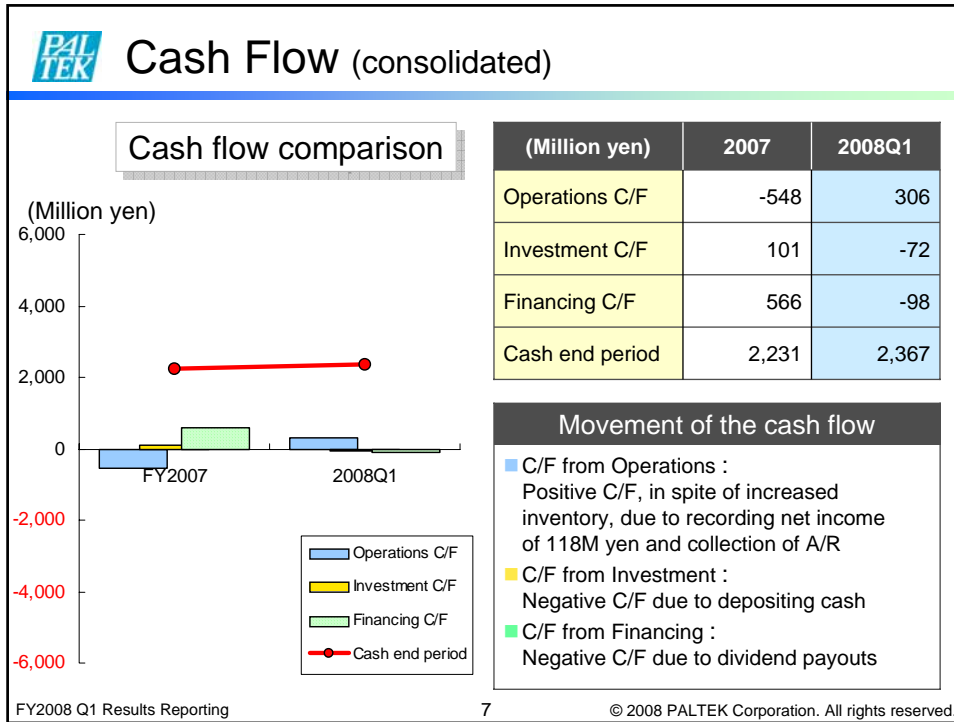

Balance Sheet Results (Consolidated)

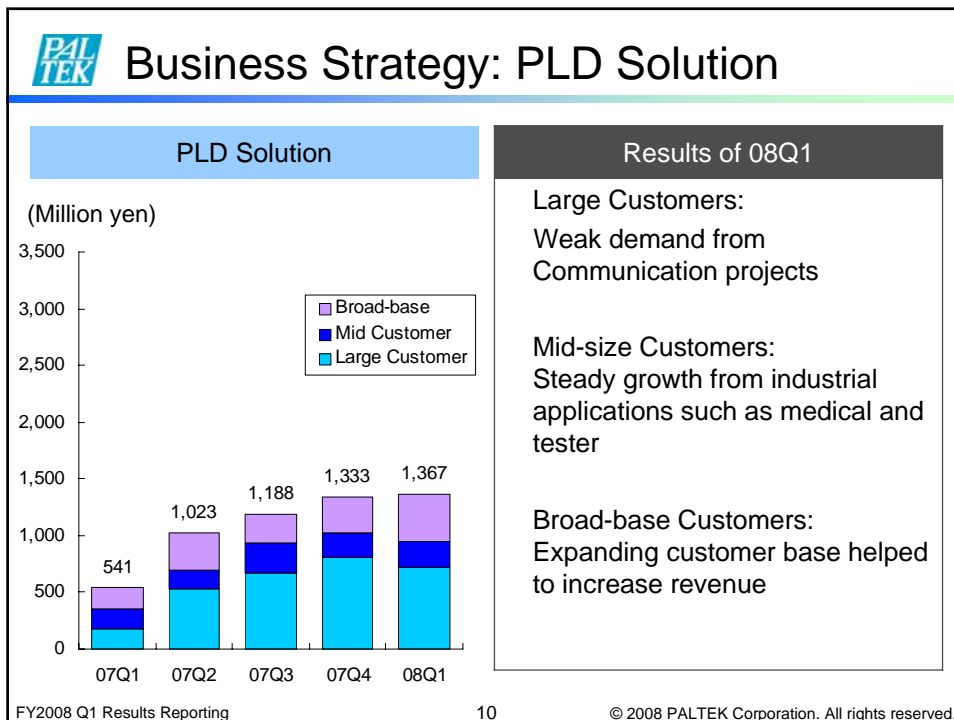
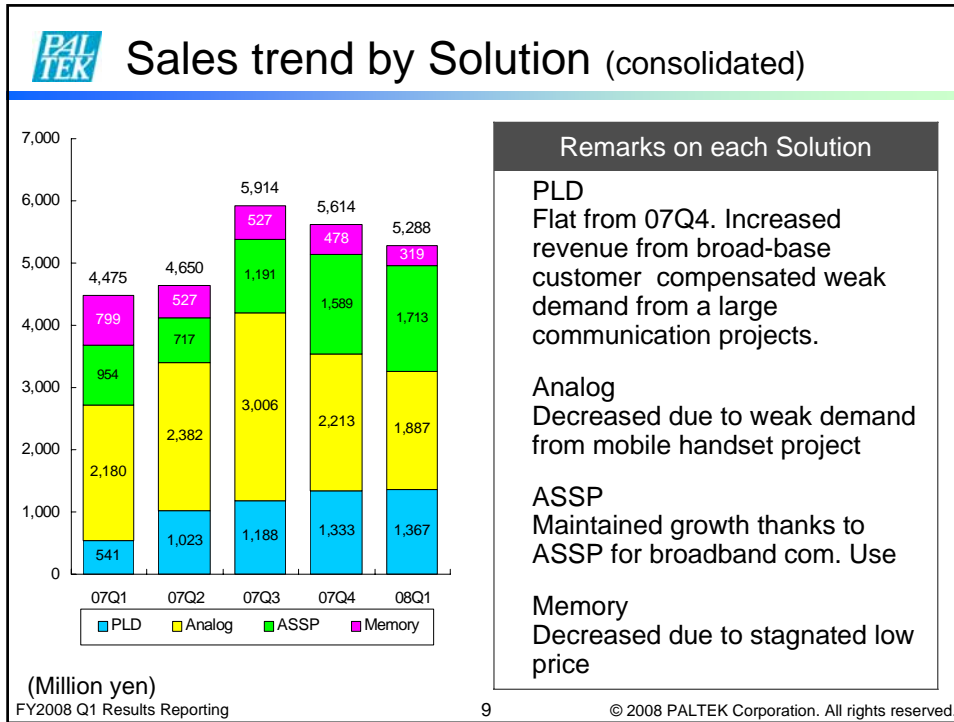
	(Million yen)	06Q1	07Q1	Change (M Yen)	Main reasons for change
Assets	Cash and Equivalent	1,335	2,507	1,171	Collected deferred receivables.
	Account Receivable	4,149	4,424	275	
	Inventory	3,165	2,923	-242	
	Other Current Assets	1,106	431	-675	At the end of March, 2007, there was 756 million yen of deferred receivables
	Fixed Assets	1,343	1,019	-324	
Asset Total		11,100	11,305	205	
Liabilities & Equity	Account Payable	1,250	1,522	272	
	Short-term Loans	600	780	180	
	Other Current Liabilities	519	505	-14	
	Fixed Liabilities	332	345	12	
	Net Equity	8,398	8,152	-245	
Liabilities & Equity Total		11,100	11,305	205	

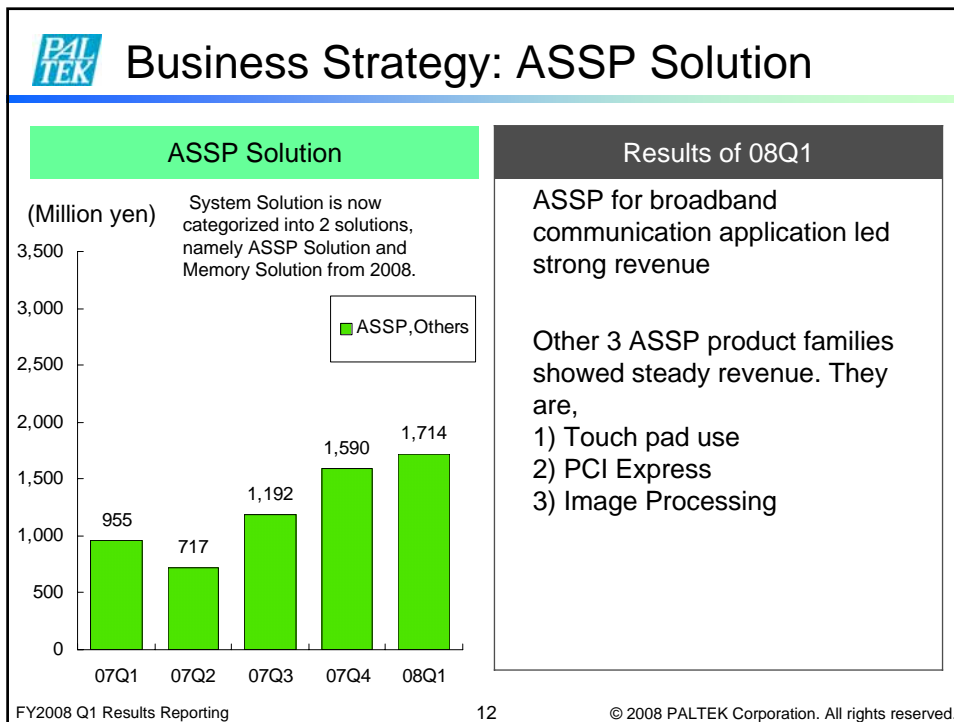
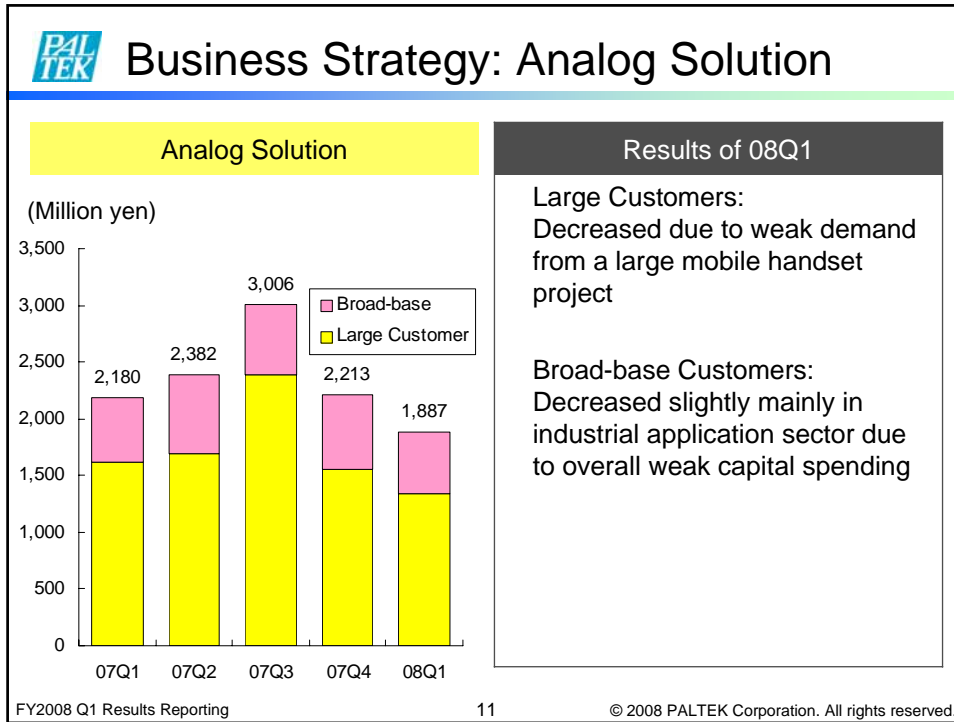
FY2008 Q1 Results Reporting

6

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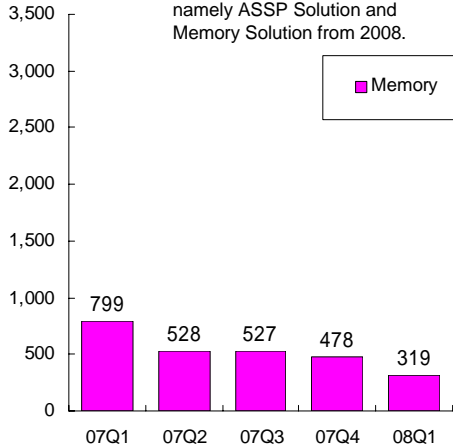


PALTEK Business Strategy: Memory Solution

Memory Solution

(Million yen)

System Solution is now categorized into 2 solutions, namely ASSP Solution and Memory Solution from 2008.



Results of 08Q1

Stagnated low price market condition continued in Q1, and price for DDR2 512Mbit DRAM remained lower than \$1

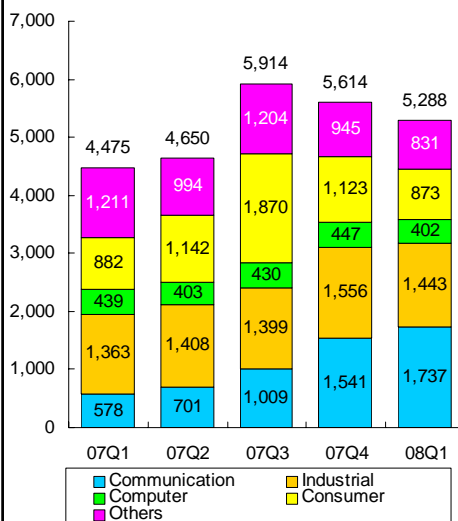
Revenue decreased due to the above condition

FY2008 Q1 Results Reporting

13

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PALTEK Sales trend by application (consolidated)



(Million yen)

Remarks on Application

Communication
ASSP for broadband communication application led strong revenue

Industrial
Decreased due to overall weak capital spending

Consumer
Decreased due to weak demand from a large mobile handset project

FY2008 Q1 Results Reporting

14

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2

Guidance of FY2008



Assumption of Guidance: Mid-year

Modification reflects the results of the first quarter

- Revenue is expected to be lower
 - ASSP will remain strong, but 3 other solutions (PLD, Analog, Memory) appear weak
- Operating income is expected to be higher
 - Will maintain profitability in Q2 although the revenue is expected to be lower than previous guidance. Tight control on expense will contribute.
 - Mid-Year Operating income will be higher than previous guidance due to good results in Q1
- Ordinary income and net income will be higher
 - A large exchange rate gain in Q1 will contribute to higher ordinary and net incomes



Assumption of Guidance: Full-Year

Will maintain the 2nd half guidance for now because many things are still not too clear
- Full-year guidance is modified to reflect modification on mid year guidance -

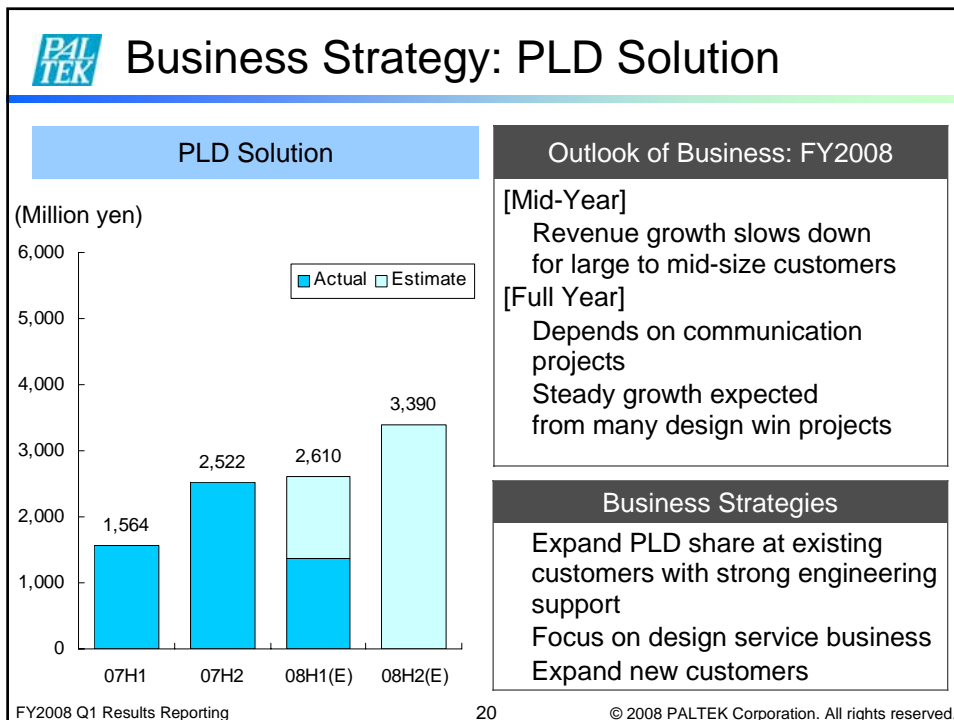
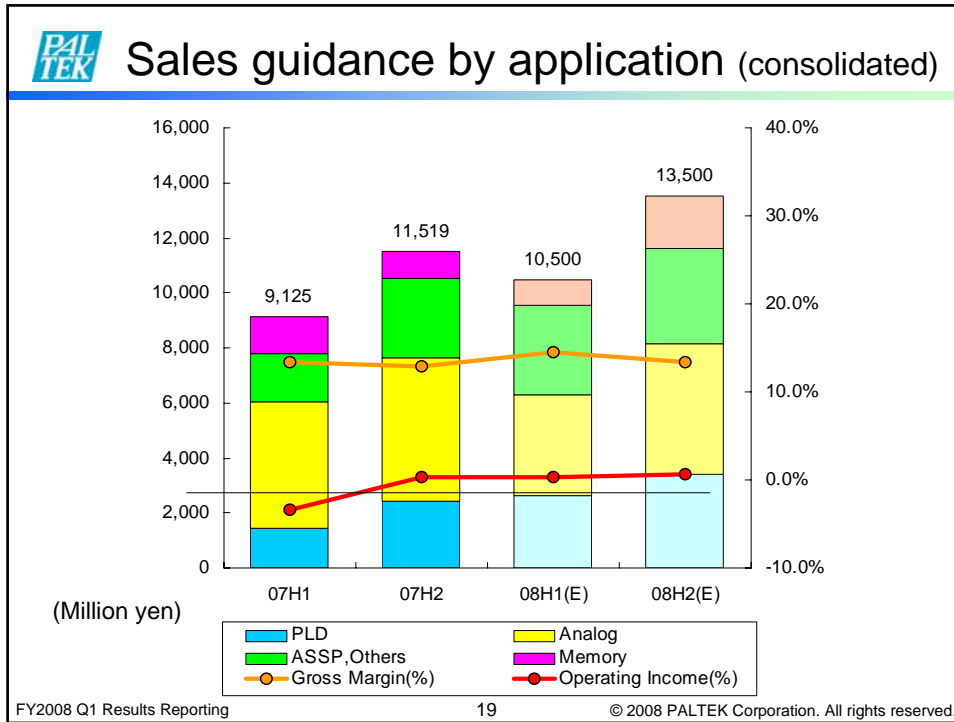
- Assumptions for the 2nd half
 - Exchange Rate : Stable around \$1=100 yen
 - PLD : Large Com projects go as planned
 - Analog : Large mobile handset project goes as planned
 - ASSP : Several large projects for broadband com and touch-pads will go as planned
 - Memory : Demand-Supply condition improves and the price will start to go up

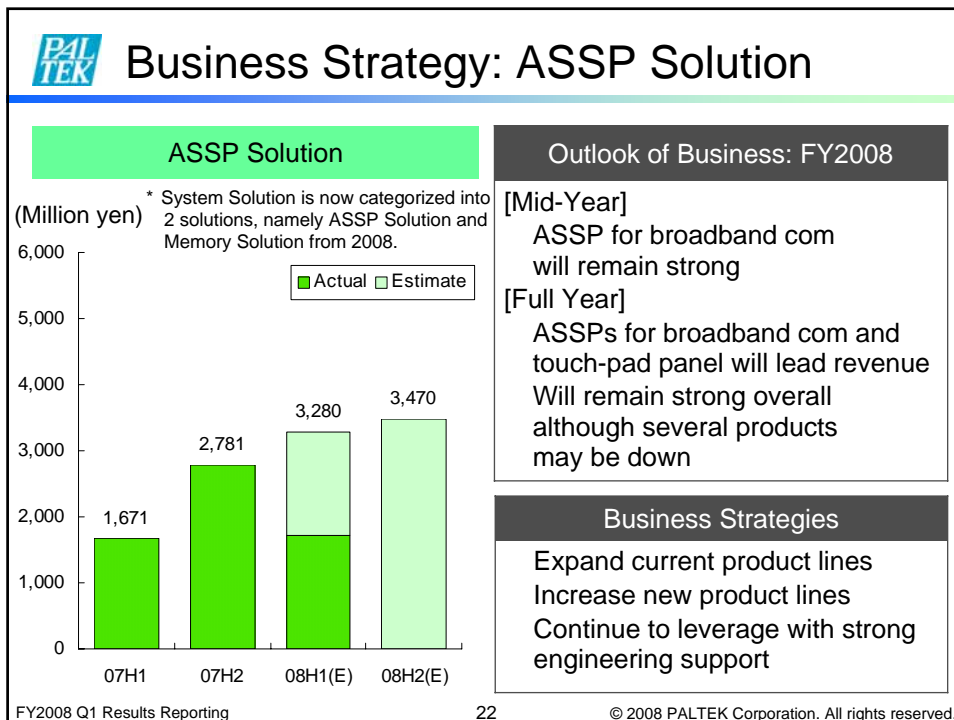
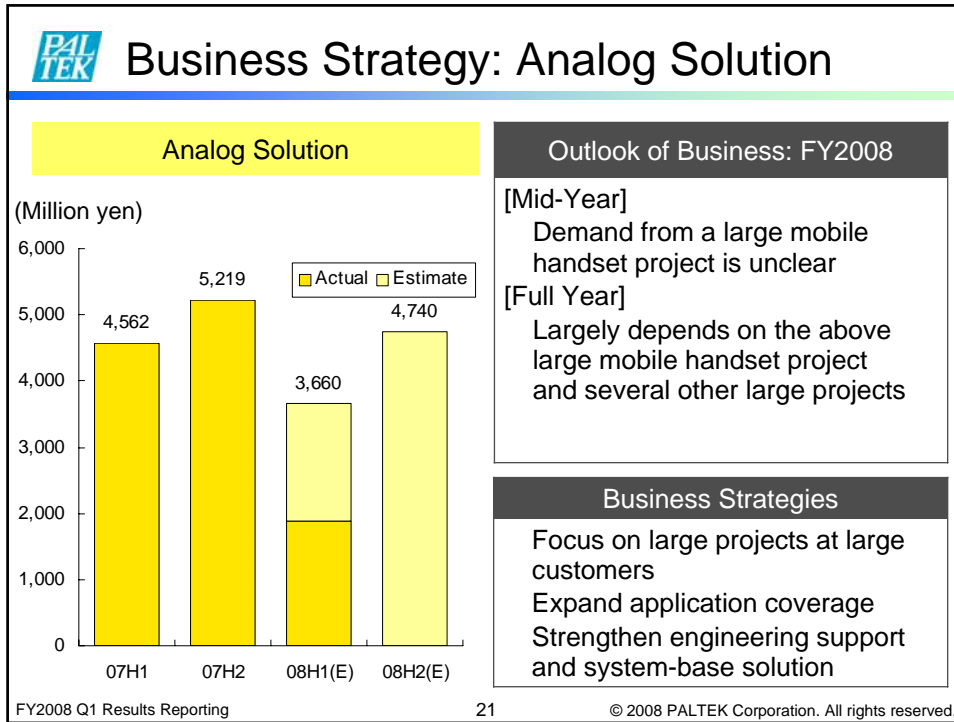


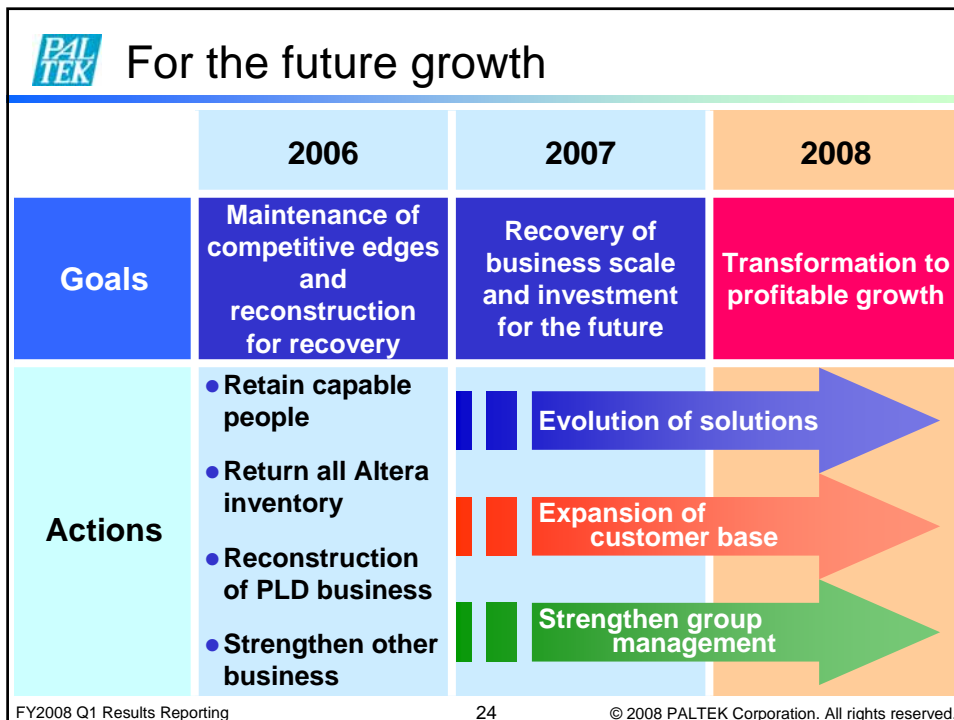
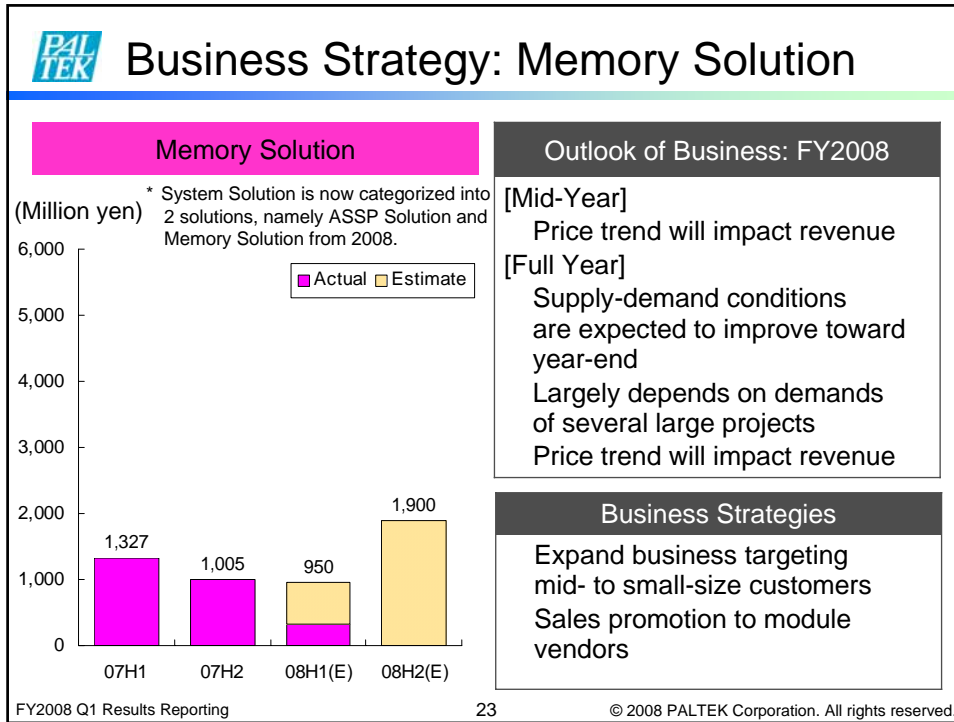
FY2008 Guidance

- Mid-year guidance reflects the results of Q1
- No modification is made for the 2nd half for now

(Million yen)	Guidance on March 28			New Guidance as of May 14		
	H1	H2	Total	H1	H2	Total
Sales	11,500	13,500	25,000	10,500	13,500	24,000
Gross Margin	1,600	1,810	3,410	1,522	1,810	3,332
SGA	1,580	1,720	3,300	1,485	1,720	3,205
Operating Income	20	90	110	37	90	127
Operating Income (%)	0.1%	0.6%	0.4%	0.4%	0.6%	0.5%
Ordinal Income	35	70	105	140	70	210
Net Income	5	42	47	65	42	107







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Reference


FY2008 Sales Guidance by Solution (consolidated)

- Mid-year guidance reflects the results of Q1
- No modification is made for the 2nd half for now

(Million yen)	Guidance on March 28			New Guidance as of May 14		
	H1	H2	Total	H1	H2	Total
PLD	2,910	3,390	6,300	2,610	3,390	6,000
Analog	4,360	4,740	9,100	3,660	4,740	8,400
ASSP	2,730	3,470	6,200	3,280	3,470	6,750
Memory	1,500	1,900	3,400	950	1,900	2,850
Sales Total	11,500	13,500	25,000	10,500	13,500	24,000
Operating Income	20	90	110	37	90	127