

August 4, 2004

Summary of Financial Results for the First Quarter Ended June 2004 (Consolidated)

Company name:	PHOENIX Electric Co., Ltd.
Stock code:	6927
Stock Exchange listing:	JASDAQ
Head office address:	Hyogo Prefecture
URL:	http://www.phoenix-elec.co.jp
President:	Sadaichi Saito
Contact:	Youichi Kawasaki
	Director, Manager, Administration Dept.
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1. Significant accounting policies in the preparation of quarterly financial statements

- 1) Changes in accounting treatment from the most recent fiscal year: Yes
Income taxes is recorded based on the annual projected tax rate using the statutory tax rate as the standard.
- 2) Changes in scope of consolidation or application of equity method: None

2. Financial results for the first quarter ended June 2004 (April 1, 2004 – June 30, 2004)

(1) Results of Operations

	Net Sales		Operating Income		Recurring Profit	
	million yen	YoY change (%)	million yen	YoY change (%)	million yen	YoY change (%)
Quarter ended June 2004	2,348	-	561	-	574	-
Fiscal year ended Mar. 2004	6,571	10.6	1,077	16.1	981	18.9

	Net Income		Net Income Per Share (basic)	Net Income Per Share (diluted)
	million yen	YoY change (%)	yen	yen
Quarter ended June 2004	342	-	48.22	-
Fiscal year ended Mar. 2004	624	42.6	84.88	-

Notes: 1. Quarter ended June 30, 2004: 7,102,300 shares

Fiscal year ended March 2004: 7,100,087 shares

2. Percentage changes in net sales, operating income and other results represent comparisons with the same quarter of the prior fiscal year.
3. The Company is reporting quarterly results for the first time in the fiscal year ending March 31, 2005. Consequently, no figures are shown for the first quarter of the prior fiscal year and there are no year-on-year comparisons.

Consolidated Results of Operations

Expansion of the projector market continued in the first quarter. In addition, utilization of large-screen rear projection TVs continued to grow, particularly in the U.S. and China. Due to the resulting increase in demand for lamps used in projectors and large-screen rear projection TVs, the current shortage of these lamps is expected to continue for the foreseeable future. Regarding exchange rates, the yen was weaker during the first quarter than the Company's initial projection of 105 yen to the U.S. dollar. In this environment, the Phoenix Electric group of companies posted strong sales of its core products: lamps used in projectors and large-screen rear projection TVs.

First quarter net sales was 2,348 million yen and operating income was 561 million yen. Due to the yen's weakness, recurring profit was 574 million yen and net income was 342 million yen.

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity ratio	Shareholders' Equity per share
	million yen	million yen	%	yen
As of June 30, 2004	7,709	4,646	60.3	654.27
As of Mar. 31, 2004	6,791	4,428	65.2	620.51

Notes: 1. Number of shares issued at end of fiscal year (Consolidated basis)

As of June 30, 2004: 7,102,300 shares

As of March 31, 2004: 7,102,300 shares

2. No figures are shown for the first quarter of the prior fiscal year because the Company is reporting quarterly results for the first time in the fiscal year ending March 31, 2005.

Cash Flows

	Net cash provide by (used in)			Cash and cash equivalents at end of period
	operating activities	investing activities	financing activities	
	million yen	million yen	million yen	million yen
Quarter ended June 2004	(15)	(333)	(150)	1,465
Fiscal year ended Mar.2004	472	(254)	703	1,966

Note: No cash flow figures are shown for the first quarter of the prior fiscal year because the Company is reporting quarterly results for the first time in the fiscal year ending March 31, 2005.

Cash Flows

There was a net decrease of 500 million yen in cash and cash equivalents compared with the past fiscal year. A summary of cash flows and major components follows.

(Operating Activities)

Net cash used in operating activities was 15 million yen. Income before income taxes was 573 million yen because of strong sales of lamps used in projectors and large-screen rear projection TVs. However, higher sales caused trade receivables to increase and the Company increased its inventory of reflectors (a key raw material) to cope with a shortage of these items. Cash was also used for income tax paid.

(Investing activities)

Net cash used in investing activities was 333 million yen. Cash was used mainly for capital expenditures to meet rising demand for lamps used in projectors and large-screen rear projection TVs.

(Financing activities)

Net cash used in financing activities was 150 million yen. Cash was used mainly for dividend payments, the repayment of loans and installment payments.

Attachment

Consolidated Statements of Income, Consolidated Balance Sheets, Others

(Reference)

Forecast for the Fiscal Year Ending March 2005 (April 1, 2004 - March 31, 2005)

	Net Sales	Recurring Profit	Net Income
	million yen	million yen	million yen
Interim	4,832	962	575
Full year	10,093	1,955	1,169

Reference: Estimated net income per share for the fiscal year ending March 2005: 50.52 yen.

In accordance with a resolution approved by the Board of Directors on May 28, 2004, the Company plans to conduct a one-to-three stock split on November 19, 2004 with a record date of September 30, 2004.

In accordance with a resolution approved by the Board of Directors on July 5, 2004, the Company on July 22, 2004 sold 500,000 shares of newly issued stock through a public offering. (Please refer to page 9 “Subsequent Event” for more information.)

Consequently, estimated net income per share reflects both this public offering and stock split.

In accordance with a resolution approved by the Board of Directors on July 5, 2004, the Company plans to conduct a private placement of newly issued shares on August 17, 2004. However, estimated net income per share does not reflect these shares because the number of shares to be issued has not been finalized.

Projections of operating results are based on information available to management at the time this report was prepared. As such, these projections entail risks and uncertainties. Readers should be aware that actual results and events may differ substantially from these projections

Information concerning forecasts

Although first quarter consolidated net sales, recurring profit and net income exceeded the Company’s plan, no revisions are being made to the previously announced consolidated forecasts for the fiscal year ending March 31, 2005.

(Attachment)
(1) Consolidated Balance Sheets

(thousands of yen)

Account	As of June 30, 2004	As of March 31, 2004
	Amount	Amount
ASSETS		
I Current assets		
1. Cash and deposits with banks	1,465,776	1,966,212
2. Notes and accounts receivable	2,511,804	1,937,948
3. Inventories	942,165	817,325
4. Deferred tax assets	75,924	73,265
5. Other current assets	139,299	101,544
Allowance for doubtful accounts	(13,716)	(10,597)
Total current assets	5,121,255	4,885,698
II Fixed assets		
1. Property, plant, and equipment		
Buildings and structures	244,612	217,654
Machinery and vehicles	947,375	686,635
Land	594,733	594,733
Construction in progress	561,739	193,405
Other property, plant, and equipment	71,288	40,321
Total property, plant, and equipment	2,419,748	1,732,750
2. Intangible assets	8,269	8,370
3. Investments and other assets		
Investment securities	99,780	92,015
Deferred tax assets	17,488	20,704
Other investments and assets	49,180	58,622
Allowance for doubtful accounts	(6,458)	(6,462)
Total investments and other assets	159,990	164,880
Total fixed assets	2,588,008	1,906,002
Total assets	7,709,264	6,791,701

(thousands of yen)

Account	As of June 30, 2004	As of March 31, 2004
	Amount	Amount
LIABILITIES		
I Current liabilities		
1. Notes and accounts receivable	730,938	595,598
2. Current portion of long-term borrowings	16,686	41,685
3. Accrued income taxes	234,626	118,804
4. Accrued bonuses	147,300	123,568
5. Other current liabilities	834,660	376,912
Total current liabilities	1,964,211	1,256,568
II Long-term liabilities		
1. Long-term borrowings	1,000,000	1,000,000
2. Deferred tax liabilities	1,862	1,889
3. Accrued officers' severance benefits	68,321	64,805
4. Other long-term liabilities	28,050	39,896
Total long-term liabilities	1,098,234	1,106,591
Total liabilities	3,062,446	2,363,159
MINORITY INTERESTS		
Minority interests	-	-
SHAREHOLDERS' EQUITY		
I Common stock	877,177	877,177
II Capital surplus	1,308,367	1,308,367
III Retained earnings	2,433,956	2,219,516
IV Unrealized holding gain on other securities	33,824	28,939
V Foreign currency translation adjustments	(6,507)	(5,459)
Total shareholders' equity	4,646,818	4,428,541
Total liability, minority interests and shareholders' equity	7,709,264	6,791,701

(2) Consolidated Statements of Income

(thousands of yen)

Account	April 1, 2004 - June 30, 2004	April 1, 2003 - March 31, 2004
	Amount	Amount
I Net sales	2,348,870	6,571,405
II Cost of goods sold	1,456,712	4,296,446
Gross profit	892,158	2,274,959
III Selling, general, and administrative expenses	330,803	1,196,999
OPERATING INCOME	561,354	1,077,960
IV Non-operating income	16,949	12,568
1. Interest income	392	1,333
2. Dividend income	262	112
3. Foreign exchange gains	14,831	-
4. Others	1,463	11,222
V Non-operating expenses	3,964	108,977
1. Interest expense	2,841	3,172
2. Foreign exchange losses	-	89,390
3. Others	1,122	16,414
RECURRING PROFIT	574,340	981,551
VI Extraordinary income	-	73,640
1. Gain on sales of fixed assets	-	2,633
2. Reversal of allowance for doubtful accounts	-	398
3. Gain on transfer between retirement benefit plans	-	70,608
VII Extraordinary loss	774	245
Total extraordinary losses	774	245
Income before income taxes	573,565	1,054,946
Income taxes	231,091	430,802
Net income	342,474	624,143

(3) Consolidated Statements of Cash Flows

(thousands of yen)

	April 1, 2004 - June 30, 2004	Apr. 1, 2003 -Mar. 31, 2004
Account	Amount	Amount
I CASH FLOWS FROM OPERATING ACTIVITIES		
1. Income before income taxes	573,565	1,054,946
2. Depreciation and amortization	65,396	243,192
3. Increase (decrease) in accrued employees' retirement benefits	-	(196,798)
4. Increase in accrued officers' severance benefits	3,516	11,933
5. Increase (decrease) in accrued bonuses	23,732	6,383
6. Increase (decrease) in allowance for doubtful accounts	3,115	1,103
7. Interest and dividend income	(654)	(1,345)
8. Interest expense	2,841	3,172
9. Loss (gain) on valuation of investment securities	335	(969)
10. Loss (gain) on sales of fixed assets	-	(2,633)
11. Loss on disposal of fixed assets	774	245
12. Decrease (increase) in notes and accounts receivable	(573,855)	(357,256)
13. Decrease (increase) in inventories	(124,839)	149,037
14. Decrease (increase) in other receivables	(23,739)	4,506
15. Increase (decrease) in notes and accounts payable	135,339	193,404
16. Increase (decrease) in other payables	43,436	18,210
17. Bonuses for officers	(21,500)	(18,900)
18. Others	(2,425)	16,269
Subtotal	105,037	1,124,503
19. Interests and dividends received	654	1,345
20. Interests paid	(2,817)	(3,182)
21. Income taxes paid	(117,993)	(649,904)
Net cash provided by (used in) operating activities	(15,118)	472,761
II CASH FLOWS FROM INVESTING ACTIVITIES		
1. Payment for purchases of property, plant, and equipment	(342,848)	(221,700)
2. Payments for loans receivable	-	(60,000)
3. Proceeds from collection of loans receivable	7,500	22,500
4. Others	1,878	4,886
Net cash used in investing activities	(333,469)	(254,313)
III CASH FLOWS FROM FINANCING ACTIVITIES		
1. Proceeds from long-term borrowings	-	1,000,000
2. Repayment of long-term borrowings	(24,999)	(99,996)
3. Payment for purchases by installment	(19,303)	(90,744)
4. Cash dividend paid	(106,534)	(106,399)
5. Proceeds from new stock issuance	-	900
Net cash provided by (used in) financing activities	(150,836)	703,759
IV Effect of exchange rate changes on cash and cash equivalents	(1,011)	(6,849)
V Increase in cash and cash equivalents	(500,435)	915,359
VI Cash and cash equivalents at beginning of year	1,966,212	1,050,853
VII Cash and cash equivalents at end of period	1,465,776	1,966,212

3. Segment Information

Operating segment information

Current first quarter (April 1, 2004 to June 30, 2004)

Given the similarities in the type of products, manufacturing methods and markets, the Group can be considered to operate in a single industry categorized as lamps. Accordingly, no operational segment information is presented.

Previous first quarter (April 1, 2003 to June 30, 2003)

No operational segment information is shown because the Company did not prepare financial statements for this quarter.

Previous fiscal year (April 1, 2003 - March 31, 2004)

Given the similarities in the type of products, manufacturing methods and markets, the Group can be considered to operate in a single industry categorized as lamps. Accordingly, no operational segment information is presented.

Geographical segment information

Current first quarter (April 1, 2004 to June 30, 2004)

The Group operates mainly in Japan and has no significant overseas operations. The geographic segment information is not presented since the combined segment sales and assets in Japan represented more than 90% of total consolidated sales and assets.

Previous first quarter (April 1, 2003 to June 30, 2003)

No geographic segment information is shown because the Company did not prepare financial statements for this quarter.

Previous fiscal year (April 1, 2003 - March 31, 2004)

The Group operates mainly in Japan and has no significant overseas operations. The geographic segment information is not presented since the combined segment sales and assets in Japan represented more than 90% of total consolidated sales and assets.

Overseas sales

Current first quarter (April 1, 2004 to June 30, 2004)

(thousands of yen)

	N. America	Asia	Other	Total
I. Overseas sales	368,357	1,026,996	23,189	1,418,543
II. Consolidated sales	-	-	-	2,348,870
III. Overseas sales as a percentage of consolidated sales (%)	15.7	43.7	1.0	60.4

Previous first quarter (April 1, 2003 to June 30, 2003)

Overseas sales are not shown because the Company did not prepare financial statements for this quarter.

Previous fiscal year (April 1, 2003 - March 31, 2004)

(thousands of yen)

	N. America	Asia	Other	Total
I. Overseas sales	1,235,411	2,278,869	105,043	3,619,323
II. Consolidated sales	-	-	-	6,571,405
III. Overseas sales as a percentage of consolidated sales (%)	18.8	34.7	1.6	55.1

Subsequent Event

Issue of new shares and secondary offering

1. In accordance with a resolution approved by the Board of Directors on July 5, 2004, the Company conducted a public offering of newly issued shares and secondary offering as follows.

(1) Public offering of newly issued shares

Shares issued	500,000 shares (Common stock)
Issue price (sale price)	5,296 yen
Aggregate issue price (sale price)	2,684,000,000 yen
Issue price per share (underwriting price)	5,023 yen
Aggregate issue price (underwriting price)	2,511,500,000 yen
Amount credited to capital per share	2,512 yen
Aggregate amount credited to capital	1,256,000,000 yen
Subscription period	July 14, 2004 to July 16, 2004
Payment date	July 22, 2004
Dividend reckoning date	April 1, 2004
Shares issued after public offering	7,602,300 shares
Use of proceeds: Capital expenditures and working capital	

(2) Secondary offering

Number of shares	500,000 shares (Common stock)
Price per share	5,296 yen
Aggregate proceeds	2,684,000,000 yen
Underwriting price per share	5,023 yen
Aggregate underwriting proceeds	2,511,500,000 yen
Subscription period	July 14, 2004 to July 16, 2004
Transfer date	July 23, 2004

(3) Sale of shares through over-allotment

Number of shares	150,000 shares (Common stock)
Price per share	5,296 yen
Aggregate issue price (sale price)	794,400,000 yen
Subscription period	July 14, 2004 to July 16, 2004
Transfer date	July 23, 2004

(4) New stock issue for private placement

Shares issued (maximum)	150,000 shares (Common stock)
Issue price per share (underwriting price)	5,023 yen
Aggregate issue price (underwriting price) (maximum)	753,450,000 yen
Amount credited to capital per share	2,512 yen
Aggregate amount credited to capital (maximum)	376,800,000 yen
Application date	August 16, 2004
Payment date	August 17, 2004
Dividend reckoning date	April 1, 2004
Use of proceeds: Entire amount to be used for working capital	

2. Secondary offering through over-allotment

Regarding the secondary offering through an over-allotment described above, Nomura Securities Co., Ltd. will borrow 150,000 shares of Phoenix Electric common stock from a Company shareholder for sale through the secondary offering.

To enable Nomura Securities Co., Ltd. to purchase the necessary number of shares to return the shares borrowed from the above Company shareholder for the purpose of conducting the over-allotment, the Board of Directors on July 5, 2004 approved a resolution to conduct a private placement of 150,000 shares of common stock with all shares to be sold to Nomura Securities. The payment date for this private placement is August 17, 2004.

Nomura Securities, for the purpose of returning borrowed shares, may purchase shares (syndicate coverage transactions) up to the number of shares sold through the over-allotment (maximum of 150,000 shares) on the over-the-counter market of the Japan Securities Dealers Association from July 17, 2004 through August 10, 2004 (syndicate coverage period). All shares purchased through syndicate coverage transactions will be used to return borrowed shares. Nomura Securities may, at its discretion, not purchase any shares during the syndicate cover period or may purchase fewer shares than the maximum allowed.

Moreover, Nomura Securities may conduct market stabilization transactions associated with the public offering, underwritten secondary offering and over-allotment. All or part of the shares purchased through these transactions may be used to return borrowed shares.

Nomura Securities plans to purchase through the private placement a number of shares equal to the number of shares sold through the over-allotment less the number of shares purchased through market stabilization transactions and syndicate coverage transactions that are used to return borrowed shares. Consequently, Nomura Securities may not subscribe to all or part of the shares offered through the private placement. As a result, the number of shares issued through the private placement may be reduced by this amount, or no shares may be issued at all.