

Summary of Financial Results for the First Half of Fiscal Year Ending March 31, 2009 (Six Months Ended September 30, 2008)

Company name: PHOENIX Electric Co., Ltd. Listing: Tokyo Stock Exchange, First Section; JASDAQ
 Stock code: 6927 URL: <http://www.phoenix-elec.co.jp>
 Representative: Hiroya Tahara, President
 Contact: Youichi Kawasaka, Director, General Manager, Administration Dept. Tel: +81-79-264-5711
 Scheduled date of filing of Quarterly Report: November 14, 2008
 Scheduled date of payment of dividend: December 5, 2008

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2008

(April 1, 2008 – September 30, 2008)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 2008	3,607	-	148	-	174	-	77	-
Six months ended Sep. 2007	4,845	(16.4)	719	(36.8)	680	(40.3)	385	(40.3)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Six months ended Sep. 2008	3.56	-
Six months ended Sep. 2007	17.12	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2008	10,755	9,610	89.4	443.34
As of Mar. 31, 2008	10,894	9,645	88.5	444.92

Reference) Shareholders' equity (million yen) Sep. 2008: 9,610 Mar. 2008: 9,645

2. Dividends

Record date	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 2008	-	5.00	-	5.00	10.00
Fiscal year ending Mar. 2009	-	2.25	-	-	-
Fiscal year ending Mar. 2009 (forecast)	-	-	-	2.25	4.50

Note) Revision of dividend forecast during the period: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Recurring profit		Net income		Net income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	7,909	(12.2)	591	(39.2)	622	(20.9)	351	(2.8)	16.20

Note) Revision of consolidated forecasts during the period: None

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 4 for further information.

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 4 for further information.

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of period (including treasury stock)

Sep. 2008:	22,806,900 shares	Mar. 2008:	22,806,900 shares
------------	-------------------	------------	-------------------

2) Number of treasury stock at the end of period

Sep. 2008:	1,128,422 shares	Mar. 2008:	1,128,422 shares
------------	------------------	------------	------------------

3) Average number of shares outstanding during the period

Six months ended Sep. 2008:	21,678,478 shares	Six months ended Sep. 2007:	22,529,559 shares
-----------------------------	-------------------	-----------------------------	-------------------

* Cautionary statement with respect to forward-looking statements

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statement” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.” The above-stated forecast of operating results is based on information available to management at the time this report was prepared. Readers should be aware that actual results may differ from these projections for a number of factors. Please refer to “Qualitative Information Regarding Consolidated Forecasts” on page 3 for further information concerning these forecasts.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Results of Operations

Sales and earnings in the first half of the fiscal year were generally on target.

Sales of lamps for projectors decreased 10% in terms of volume, due in part to inventory adjustment in the first quarter. There was also a decline in unit prices and a foreign exchange impact. The overall result was a 22.2% year-on-year downturn in sales to 2,486,391 thousand yen.

In the market for lamps for rear-projection televisions, the Company is now supplying only replacement lamps. Sales were down 66.9% to 162,954 thousand yen.

Sales of lamps for exposure equipment fell 56.1% to 21,665 thousand yen. Since sales of exposure equipment are scheduled to start in the second half of this fiscal year, lamps for special applications accounted for most sales in the first half.

Total first half sales decreased 25.5% year on year to 3,607,983 thousand yen.

To improve earnings, the Company continued to work on offsetting the impact of falling sales prices. Actions are aimed at raising yields and efficiency of manufacturing activities by improving all aspects of each production process through automation and other measures. However, the severe impact of the drop in unit prices caused declines of 74.2% in recurring profit to 174,815 thousand yen and 79.9% in net income to 77,122 thousand yen.

2. Qualitative Information Regarding Consolidated Financial Position

Assets

Current assets increased by 39,959 thousand yen from the end of the previous fiscal year. This was mainly due to a 200,408 thousand yen increase in securities, a 198,498 thousand yen increase in cash and deposits with banks, a 176,150 thousand yen decline in other current assets, and a decline in inventories of 95,048 thousand yen.

Fixed assets declined by 179,115 thousand yen from the end of the previous fiscal year, mainly due to a 174,585 thousand yen decline in property, plant and equipment because of depreciation.

As a result of the above, total assets decreased 1.3% from the end of the previous fiscal year to 10,755,819 thousand yen.

Liabilities

Current liabilities decreased 104,738 thousand yen from the end of the previous fiscal year. This reflects a decline in current portion of long-term borrowings of 124,520 thousand yen, a decline in accrued bonuses of 52,972 thousand yen, and an increase in accrued income taxes of 66,218 thousand yen.

As a result, total liabilities decreased 8.4% from the end of the previous fiscal year to 1,144,984 thousand yen.

Net assets

Total net assets decreased 0.4% from the end of the previous fiscal year to 9,610,835 thousand yen. This was primarily the net result of net income of 77,122 thousand yen, and dividend payments of 108,392 thousand yen.

3. Qualitative Information Regarding Consolidated Forecasts

First-half business results were largely on target, and at this time the Company will not revise its consolidated forecasts for the fiscal year to FY3/09 announced on May 15, 2008.

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)

Not applicable.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

1) Valuation of inventories

In valuation (write-down) of inventory, the Company has adopted “Accounting Standards for Measurement of Inventories” at an early stage, effective from the previous fiscal year. Inventories were not revalued at the end of the first half since there was no material change in the value of inventories.

2) Calculation of income taxes and deferred tax assets

The amount of income taxes paid is calculated using only significant taxable and deductible items and tax credit items.

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

Provision for product warranties

The Company previously accounted for costs of replacement, repair, etc. of products during the free warranty period by expensing such costs when paid. However, effective from the first quarter of the current fiscal year, the Company has changed the method for reporting such costs by recognizing provision for product warranties based on the percentage of such costs incurred as compared to cost of goods sold.

The change has been implemented because management believes that more appropriate periodic accounting of profit and loss can be achieved by matching the timing of recognition of expense for repairs, etc. during the free warranty period with revenue from sale of the products.

The effect of this change was to decrease operating income, recurring profit and income before income taxes by 8,528 thousand yen each, compare to the previous method.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	<i>(Thousands of yen)</i>	
	First half of FY3/09 (As of Sep. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Assets		
Current assets		
Cash and deposits with banks	*3 3,839,566	3,641,068
Notes and accounts receivable	2,060,473	*2 2,148,726
Securities	200,408	-
Merchandise	21,578	33,830
Finished goods	167,881	178,045
Raw materials	327,672	340,775
Work in process	173,028	229,269
Supplies	8,660	11,949
Others	225,051	401,202
Allowance for doubtful accounts	(2,905)	(3,410)
Total current assets	7,021,415	6,981,455
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	*1 1,143,427	*1 1,185,041
Machinery and vehicles (net)	*1 1,239,787	*1 1,420,574
Others (net)	*1 1,144,325	*1 1,096,510
Total property, plant and equipment	3,527,540	3,702,125
Intangible assets	33,095	29,768
Investments and other assets		
Others	175,749	183,535
Allowance for doubtful accounts	(1,981)	(1,909)
Total investments and other assets	173,767	181,625
Total fixed assets	3,734,404	3,913,519
Total assets	10,755,819	10,894,975

	<i>(Thousands of yen)</i>	
	First half of FY3/09 (As of Sep. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Liabilities		
Current liabilities		
Notes and accounts payable	438,750	465,866
Current portion of long-term borrowings	126,320	250,840
Accrued income taxes	79,883	13,665
Accrued bonuses	85,655	138,627
Provision for product warranties	8,800	-
Others	290,283	265,432
Total current liabilities	1,029,693	1,134,431
Long-term liabilities		
Long-term accounts payable	115,291	115,291
Total long-term liabilities	115,291	115,291
Total liabilities	1,144,984	1,249,722
Net assets		
Shareholders' equity		
Common stock	2,133,177	2,133,177
Capital surplus	2,563,867	2,563,867
Retained earnings	5,458,254	5,489,523
Treasury stock	(563,267)	(563,267)
Total shareholders' equity	9,592,030	9,623,300
Valuation and translation adjustments		
Unrealized holding gain on other securities	18,804	21,952
Total valuation and translation adjustments	18,804	21,952
Total net assets	9,610,835	9,645,252
Total liabilities and net assets	10,755,819	10,894,975

(2) Consolidated Statements of Income**(For the Six-month Period)**

	<i>(Thousands of yen)</i>
	First half of FY3/09
	(Apr. 1, 2008 – Sep. 30, 2008)
Net sales	3,607,983
Cost of goods sold	2,611,227
Gross profit	996,755
Selling, general, and administrative expenses	*1 848,140
Operating income	148,615
Non-operating income	
Interest income	6,701
Dividend income	712
Foreign exchange gains	16,689
Miscellaneous revenue	5,559
Total non-operating income	29,661
Non-operating expenses	
Interest expense	1,114
Loss on valuation of investment securities	2,346
Total non-operating expenses	3,461
Recurring profit	174,815
Extraordinary income	
Reversal from allowance for doubtful accounts	200
Gain on sales of fixed assets	52
Total extraordinary income	252
Extraordinary loss	
Loss on disposal of fixed assets	29
Impairment losses	3,467
Total extraordinary loss	3,496
Income before income taxes	171,571
Income taxes-current	72,883
Income taxes-deferred	21,565
Total income taxes	94,449
Net income	77,122

(3) Consolidated Statements of Cash Flows

	<i>(Thousands of yen)</i>
	First half of FY3/09
	(Apr. 1, 2008 – Sep. 30, 2008)
Cash flows from operating activities	
Income before income taxes	171,571
Depreciation and amortization	273,293
Impairment losses	3,467
Increase (decrease) in accrued bonuses	(52,972)
Increase (decrease) in allowance for doubtful accounts	(432)
Increase (decrease) in provision for product warranties	8,800
Interest and dividend income	(7,413)
Interest expense	1,114
Loss (gain) on sale of property, plant and equipment	(52)
Loss on disposal of property, plant and equipment	29
Decrease (increase) in notes and accounts receivable	88,252
Decrease (increase) in inventories	95,102
Decrease (increase) in other accounts receivable	189,545
Increase (decrease) in notes and accounts payable	(27,116)
Increase (decrease) in accrued consumption taxes	(198)
Increase (decrease) in other accounts payable	(8,419)
Others	(27,113)
Subtotal	<u>707,457</u>
Interests and dividends received	4,692
Interests paid	(1,114)
Income taxes paid	(8,887)
Net cash provided by operating activities	<u>702,148</u>
Cash flows from investing activities	
Payment for purchases of property, plant and equipment	(98,577)
Proceeds from sale of property, plant, and equipment	63
Payment for purchases of intangible assets	(7,018)
Others	(204)
Net cash used in investing activities	<u>(105,737)</u>
Cash flows from financing activities	
Repayment of long-term borrowings	(124,520)
Payment for equipment notes payable	7,502
Decrease in accounts payable-equipment	27,906
Cash dividends paid	(108,392)
Net cash used in financing activities	<u>(197,503)</u>
Increase (decrease) in cash and cash equivalents	<u>398,906</u>
Cash and cash equivalents at beginning of period	<u>1,641,068</u>
Cash and cash equivalents at end of period	<u>* 2,039,974</u>

Notes to Quarterly Consolidated Financial Statements**Notes to consolidated balance sheets***(Thousands of yen)*

First half of FY3/09 (As of Sep. 30, 2008)	FY3/08 (As of Mar. 31, 2008)
*1. Accumulated depreciation on property, plant and equipment 3,922,620	*1. Accumulated depreciation on property, plant and equipment 3,668,374
—————	*2. The settlement of trade notes maturing on the balance sheet date is accounted on the clearance date As the balance sheet date was a bank holiday, the trade notes maturing on the balance sheet date, in the following amounts were included in each account at the end of fiscal year. Notes and accounts receivable 1,949
*3. Assets pledged Time deposits 20,000	—————

Notes to consolidated statements of income*(Thousands of yen)*

First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)	
*1. Significant components of selling, general and administrative expenses	
Packing and transportation	35,913
Officers' remunerations	95,811
Employee' wages	166,674
Provision of accrued bonuses	21,040
Retirement benefit expenses	6,296
Other personnel expenses	38,921
Commissions paid	64,538
Depreciation and amortization	24,493
R&D expenses	173,923
Entertainment expenses	77,706
Others	142,819
Total	848,140

Notes to consolidated statements of cash flows*(Thousands of yen)*

First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)	
Reconciliation of consolidated balance sheet items to cash and cash equivalents in consolidated statements of cash flows:	
	(As of Sep. 30, 2008)
Cash and deposits with banks	3,839,566
Time deposits with maturities longer than 3 months	(2,000,000)
MMF (securities)	200,408
Cash and cash equivalents	2,039,974

(4) Going Concern Assumption

Not applicable.

(5) Segment Information

1) Operating segment information

First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)

Based on the similarity of its products and how they are manufactured, the Group operates in a single business segment, the lamp business. For this reason, results are presented here by product category.

Product category	Net sales (Thousands of yen)	YoY change (%)	Composition (%)
Lamps for projector	2,486,391	77.8	68.9
Lamps for RPTVs	162,954	33.1	4.5
Lamps for exposure equipment	21,665	43.9	0.6
Other halogen lamps	489,049	86.7	13.6
Purchased products	447,923	82.4	12.4
Total	3,607,983	74.5	100.0

2) Geographical segment information

First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)

Results by geographical segment are not presented because Japan accounts for 100% of the total net sales and assets of all geographical segments.

3) Overseas sales

First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)

(Thousands of yen)

	N. America	Asia	Other regions	Total
I. Overseas sales	125,810	1,337,611	11,187	1,474,609
II. Consolidated sales	-	-	-	3,607,983
III. Overseas sales as a percentage of consolidated sales (%)	3.5	37.1	0.3	40.9

- Notes:
- The geographic segmentation is decided primarily by geographic proximity.
 - Major countries and regions, excluding Japan, included in geographic segmentation:
 - North America: The United States, Canada, and Mexico
 - Asia: China, Taiwan, Hong Kong, Malaysia, Singapore, India, Saudi Arabia, etc.
 - Other regions: Europe, Oceania, South America, Africa, etc.
 - Overseas sales represent sales of the Company and its consolidated subsidiaries, excluding sales in Japan.

First half of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Thousands of yen)

	N. America	Asia	Other regions	Total
I. Overseas sales	163,305	2,508,301	35,018	2,706,625
II. Consolidated sales	-	-	-	4,845,721
III. Overseas sales as a percentage of consolidated sales (%)	3.4	51.8	0.7	55.9

- Notes:
- The geographic segmentation is decided primarily by geographic proximity.
 - Major countries and regions, excluding Japan, included in geographic segmentation:
 - North America: The United States, Canada, and Mexico
 - Asia: China, Taiwan, Hong Kong, Malaysia, Singapore, India, Saudi Arabia, etc.
 - Other regions: Europe, Oceania, South America, Africa, etc.
 - Overseas sales represent sales of the Company and its consolidated subsidiaries, excluding sales in Japan.

(6) Significant Changes in Shareholders' Equity

Not applicable.

For Reference**Consolidated Interim Statements of Income***(Thousands of yen)*

	First half of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)
Account	Amount
I Net sales	4,845,721
II Cost of goods sold	3,124,798
Gross profit	1,720,923
III Selling, general, and administrative expenses	1,001,097
Operating income	719,826
IV Non-operating income	7,918
1. Interest income	2,295
2. Dividend income	512
3. Miscellaneous revenue	5,111
V Non-operating expenses	47,554
1. Interest expense	3,102
2. Foreign exchange losses	40,943
3. Miscellaneous loss	3,508
Recurring profit	680,190
VI Extraordinary loss	12,961
1. Loss on disposal of fixed assets	9
2. Impairment losses	12,952
Income before income taxes	667,228
Income taxes	281,618
Net income	385,609

** This is a translation of Japanese kessan Tanshin (including attachments), a summary of financial statements prepared in accordance with accounting principles generally accepted in Japan. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.*