

News Release Dated July 5, 2004

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Notice of Board of Directors Resolution Concerning Issue of Stock and Secondary Offering

PHOENIX Electric Co., Ltd., in accordance with a resolution approved by its Board of Directors on July 5, 2004, will issue new shares and conduct a secondary offering as follows.

1. Public Offering of Newly Issued Shares

- (1) Number of shares 500,000 shares of common stock
- (2) Issue price
To be determined on a date between July 13, 2004 (Tuesday) and July 16, 2004 (Friday), (“issue price determination date”), in accordance with Article 14, Clause 7-2 of the Fair Business Practices Regulations of the Japan Securities Dealers Association.
- (3) Portion of issue price not included in paid-in capital
Portion of the issue price in (2) less the amount transferred to paid-in capital. An amount equal to half the issue price is to be included in paid-in capital, with any fraction of a yen rounded up.
- (4) Offering method
Public offering in which all shares are purchased by the following underwriters: Nomura Securities Co., Ltd., Daiwa Securities SMBC Co., Ltd.; SMBC Friend Securities Co., Ltd.; UFJ Tsubasa Securities Co., Ltd.; Takagi Securities Co., Ltd.; Okasan Securities Co., Ltd.; Ichiyoshi Securities Co., Ltd.; Shinko Securities Co., Ltd.; and Ace Securities Co., Ltd. (the underwriters).
The issue price for the public offering (offering price) will be decided on the issue price determination date by multiplying by a number between 0.90 and 1.00, in consideration of demand for the shares, the closing price of Phoenix Electric shares as announced by the Japan Securities Dealers Association, with any fraction of a yen rounded down.
- (5) Remuneration for underwriters
In lieu of receiving an underwriting fee, the underwriters will receive the difference between the offering price and the issue price that is paid to Phoenix Electric.
- (6) Application period
From July 20, 2004 (Tuesday) through July 22, 2004 (Thursday). Depending on demand, the application period may be moved up. The earliest period that is possible is July 14, 2004 (Wednesday) through July 16, 2004 (Friday).
- (7) Payment date
A date between July 22, 2004 (Thursday) and July 27, 2004 (Tuesday). The payment date will be moved up if there is a change in the application period as described in (6). The earliest payment date that is possible is July 22, 2004 (Thursday).

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(8) Dividend calculation date

Dividends for the new shares will be calculated from April 1, 2004 (Thursday).

(9) Application unit 100 shares

(10) All of the above items are subject to the Company's registration statement becoming effective in conformity with the Securities and Exchange Law.

(11) The Phoenix Electric president and representative director is given the authority to determine the issue price, amount not included in paid-in capital and all other particulars involving this stock issue.

2. Secondary Offering (underwritten)

(1) Number of shares 500,000 shares of common stock

(2) Sale price

The sale price for the secondary offering will be decided on the sale price determination date (one day between July 13, 2004 (Tuesday) and July 16, 2004 (Friday)) by multiplying by a number between 0.90 and 1.00, in consideration of demand for the shares, the closing price of Phoenix Electric shares as announced by the Japan Securities Dealers Association, with any fraction of a yen rounded down.

The secondary offering sales price shall be the same as the offering price.

(3) Seller and number of shares

Masaya Nakamura 500,000 shares

(4) Sales method

All shares will be purchased by the following underwriters: Nomura Securities Co., Ltd., Daiwa Securities SMBC Co., Ltd.; SMBC Friend Securities Co., Ltd.; UFJ Tsubasa Securities Co., Ltd.; Takagi Securities Co., Ltd.; Okasan Securities Co., Ltd.; Ichiyoshi Securities Co., Ltd.; Shinko Securities Co., Ltd.; and Ace Securities Co., Ltd. (the underwriters).

The underwriters will be remunerated by receiving the difference between the secondary offering sales price and the underwriting price paid to the seller. The underwriting price shall be the same as the issue price for the public offering.

(5) Application period

From July 20, 2004 (Tuesday) through July 22, 2004 (Thursday). Depending on demand, the application period may be moved up. The earliest period that is possible is July 14, 2004 (Wednesday) through July 16, 2004 (Friday).

(6) Delivery date

A date between July 23, 2004 (Friday) and July 28, 2004 (Wednesday). The delivery date may be moved up if there is a change in the application period as described in (5). The earliest delivery date that is possible is July 23, 2004 (Friday).

(7) Application unit 100 shares

(8) All of the above items are dependent on the submission of valid documents as prescribed in the Securities and Exchange Law.

(9) The Phoenix Electric president and representative director is given the authority to determine the sale price, and all other particulars involving this offering.

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3. Secondary Offering (over-allotment) [See Note 1.]

(1) Number of shares

150,000 shares of common stock

This figure represents the maximum number of shares. Depending on demand, the number of shares sold through the over-allotment may be reduced or the over-allotment may be cancelled. The number of shares will be determined, in consideration of demand, on the sale price determination date in (2) of the above section concerning the underwritten secondary offering.

(2) Sales price

To be decided (on a date between July 13, 2004 (Tuesday) and July 16, 2004 (Friday)). The over-allotment sales price shall be the same as the underwritten secondary offering sales price.

(3) Seller and number of shares

Nomura Securities Co., Ltd. 150,000 shares

(4) Sales method

A maximum of 150,000 shares will be borrowed and sold by Nomura Securities Co., Ltd., depending on demand for the public offering and underwritten secondary offering.

(5) Application period

Same as for the underwritten secondary offering

(6) Delivery date

Same as for the underwritten secondary offering

(7) Application unit 100 shares

(8) All of the above items are dependent on the submission of valid documents as prescribed in the Securities and Exchange Law.

(9) The Phoenix Electric president and representative director is given the authority to determine the sale price and all other particulars involving this offering.

4. Private Placement of New Issued Shares [See Note 1.]

(1) Number of shares 150,000 shares of common stock

(2) Issue price

To be determined on a date between July 13, 2004 (Tuesday) and July 16, 2004 (Friday). The private placement issue price shall be the same as the public offering issue price.

(3) Portion of issue price not included in paid-in capital

Portion of the issue price in (2) less the amount transferred to paid-in capital. An amount equal to half the issue price is to be included in paid-in capital, with any fraction of a yen rounded up.

(4) Purchaser and number of shares

Nomura Securities Co., Ltd. 150,000 shares

(5) Application date

A date between August 16, 2004 (Monday) and August 23, 2004 (Monday). However, the application date must fall within a period beginning on the day after the application period of the public offering, underwritten secondary offering and over-allotment and ending on the business day following the 30th day.

(6) Payment date

A date between August 17, 2004 (Tuesday) and August 24, 2004 (Tuesday). However, the payment date shall be the business day following the application period described in (5).

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- (7) Dividend calculation date
Dividends for the new shares will be calculated from April 1, 2004 (Thursday).
- (8) Application unit 100 shares
- (9) Shares for which the purchaser does not apply on the application date described in (5) will not be issued.
- (10) All of the above items are subject to the Company's registration statement becoming effective in conformity with the Securities and Exchange Law.
- (11) The Phoenix Electric president and representative director is given the authority to determine the issue price, amount not included in paid-in capital and all other particulars involving this stock issue.

(supplementary information)

1. Information concerning the over-allotment

This sale of newly issued shares and the secondary offering has three components: the public offering of newly issued shares described in item 1 above; the underwritten secondary offering described in item 2 above; and the secondary offering by over-allotment described in item 3 above.

The over-allotment will be conducted in accordance with demand for the public offering and underwritten secondary offering. Nomura Securities Co., Ltd., the lead manager for these two offerings, borrow up to 150,000 shares of Phoenix Electric common stock for sale through a secondary offering. The number of shares to be sold through the over-allotment is the upper limit. Depending on demand, the over-allotment may not be conducted at all.

For the purpose of enabling Nomura Securities Co., Ltd. to acquire the necessary number of shares to return the shares borrowed from the shareholder shown above in the event that the over-allotment is conducted, the Phoenix Electric Board of Directors on July 5, 2004 (Monday) approved a resolution to conduct a private placement of 150,000 shares as described in item 4 above, which will have a payment date that is two business days following the 30th day (or prior day if the 30th day is not a business day) following the day after the end of the application period for the public offering, underwritten secondary offering and over-allotment.

Nomura Securities Co., Ltd., for the purpose of returning borrowed shares, may purchase Phoenix Electric shares (syndicate cover transactions) up to the number of shares of the over-allotment on the over-the-counter market of the Japan Securities Dealers Association during a period (syndicate cover transaction period) begins the day following the end of the public offering, underwritten secondary offering and over-allotment application period and ends five business days before the payment date for the private placement. All shares purchased by Nomura Securities Co., Ltd. through syndicate cover transactions will be used to return borrowed shares. During the syndicate cover transaction period, Nomura Securities Co., Ltd. may, at its discretion, not purchase any shares or may purchase fewer shares than the maximum allowed.

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Nomura Securities Co., Ltd. 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 Co., Ltd. plans to purchase through the private placement a number of shares equal to the number of shares in the over-allotment less the number of shares acquired through market stabilization and syndicate cover transactions that are used to return borrowed shares. For this purpose, Nomura Securities Co., Ltd. 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 less than the maximum allowed or no shares may be issued at all.

2. Change in number of shares issued due to the public offering, private placement and stock split (approved on May 28, 2004 and July 5, 2004)

Current number of shares issued:	7,102,300 shares (July 5, 2004)
Increase due to public offering:	500,000 shares
Number of shares following public offering:	7,602,300 shares
Increase due to private placement:	150,000 shares (Note 1)
Number of shares following private placement:	7,752,300 shares (Note 1)
Increase due to 3-for-1 stock split:	15,504,600 shares (Notes 1 and 2)
Number of shares following stock split:	23,256,900 shares (Notes 1 and 2)

Notes:

1. Number of shares in the event that Nomura Securities Co., Ltd. applies for all shares to be issued through the private placement described in 4 above.

2. The Phoenix Electric Board of Directors on May 28, 2004 (Friday) approved a resolution to conduct a 3-for-1 stock split effective November 19, 2004 (Friday).

The Phoenix Electric Board of Directors on July 5, 2004, in conjunction with resolutions approving the public offering and private placement, approved the following change concerning the increase in the number of shares resulting from the stock split (gratis).

The Company will conduct a 3-for-1 stock split for shares held by shareholders and beneficial shareholders of record on September 30, 2004 (Thursday).

3. Use of funds procured

(1) Use of funds procured

Use of funds procured through public offering

Of the net proceeds of ¥2,710,000 thousand procured through the public offering, ¥2,217,230 thousand is to be used for capital expenditures and ¥492,770 thousand for working capital.

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Shown below is a summary of capital expenditure plans of Phoenix Electric as of May 31, 2004.

Company name	Location	Business activity	Breakdown of capital investment	Planned investment (thousand yen)		Method of fund procurement	Start of project	Planned completion	Increase following completion
				Total	Amount paid to date				
PHOENIX Electric Co., Ltd.	Head office, factory (Himeji, Hyogo prefecture)	Manufacture of projector lamps	Production capacity addition and equipment for production of new items	2,238,162	173,537	Bank loans	April 2004	March 2006	400% increase in production capacity
		Manufacture of projector lamps	Production facility upgrading	271,028	1,091	Bank loans	April 2004	February 2005	-
		Technology development	Prototype production equipment and measuring instruments	132,120	1,650	Bank loans	April 2004	December 2004	-
		Quality assurance	Quality control equipment	32,520	-	Bank loans	April 2004	February 2005	-
		Management	Office building	270,000	-	Bank loans	July 2004	November 2004	-
		Others	Others	336,620	4,370	Bank loans	April 2004	March 2005	-

Note: Amounts do not include consumption and other taxes.

Use of proceeds from private placement

Net proceeds from the private placement, which are a maximum of ¥812,500, are to be used entirely for working capital.

(2) Change in use of proceeds from prior fund procurement activities

Not applicable

(3) Estimated effect on operating results

Phoenix Electric plans to use the proceeds to increase output to meet rising demand for lamps resulting from growth in the markets for projectors and large-screen projection televisions.

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4. Distribution of earnings to shareholders

(1) Basic policy regarding distribution of earnings

Phoenix Electric places priority on returning earnings to shareholders. The fundamental policy is to maintain a stable dividend while fulfilling business plans and preserving a high ROE as well as increasing corporate value by raising sales and earnings and building a sound base of operations.

(2) Approach to setting dividend payments

Dividends are set so as to maintain a stable dividend over the long term while providing sufficient retained earnings for future R&D activities and capital expenditures.

(3) Use of retained earnings

Retained earnings are used to prepare for the intense competition foreseen in upcoming years by developing new products and technologies, improving existing products and making capital expenditures with the aim of building a highly profitable operating framework.

(4) Dividends in past three fiscal years

Years ended March 31	2002	2003	2004
Earnings per share	¥19.99	¥65.18	¥78.81
Dividends per share (interim dividend)	¥15 (-)	¥15 (-)	¥15 (-)
Dividend payout ratio	75.1%	23.0%	19.0%
Return on equity	4.0%	12.4%	14.2%
Dividend-equity ratio	3.0%	3.1%	2.6%

Notes:

1. Return on equity is calculated by dividing net income by the average of shareholders' equity at the beginning and end of the applicable fiscal year.
2. The dividend-equity ratio is calculated by dividing annual dividend payments by the average of shareholders' equity at the beginning and end of the applicable fiscal year.

(5) Past observance of earnings allocation rules

Not applicable

5. Other items

(1) Specification of buyers

Not applicable

(2) Dilution due to common stock equivalents

Not applicable

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(3) Past equity financing activities

a. Equity financing activities during past three years

Type	Shares issued for public offering (initial public offering)	Private placement through over-allotment
Number of shares	500,000 shares	206,300 shares
Offering price	¥800	¥800
Amount transferred to paid-in capital	¥298	¥298
Gross proceeds	¥376,000 thousand	¥155,137 thousand
Issue date	December 19, 2002	January 18, 2003

b. Share price information during past three fiscal years and current fiscal year

Years ended March 31	2002	2003	2004	2005
Open	-	¥801	¥775	¥3,100
High	-	¥972	¥3,350	¥5,990
Low	-	¥750	¥760	¥2,650
Close	-	¥770	¥3,150	¥5,990
PER	-	11.8	40.0	-

Notes:

1. Trading of Phoenix Electric shares began on December 19, 2002 on the over-the-counter market of the Japan Securities Dealers Association. No share price information is available prior to that date.
2. Share price information for the fiscal year ending in March 2005 is as of June 28, 2004.
3. The PER is calculated by dividing the closing price at the end of each fiscal year by earnings per share for that year.

(4) Other items

Not applicable

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