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# **ANNUAL REPORT 2004**

**YEAR ENDED MARCH 31, 2004**

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**ICOM INCORPORATED**

# Financial Highlights

## ICOM INCORPORATED AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Net sales	¥ 26,145	¥ 26,665	¥ 26,010	\$ 247,515
Operating income	3,302	3,314	2,754	31,260
Income before income taxes and minority interests	2,908	2,293	3,585	27,530
Net income	1,550	1,371	2,069	14,674
Total assets	40,594	38,934	38,210	384,304

### Per common share:

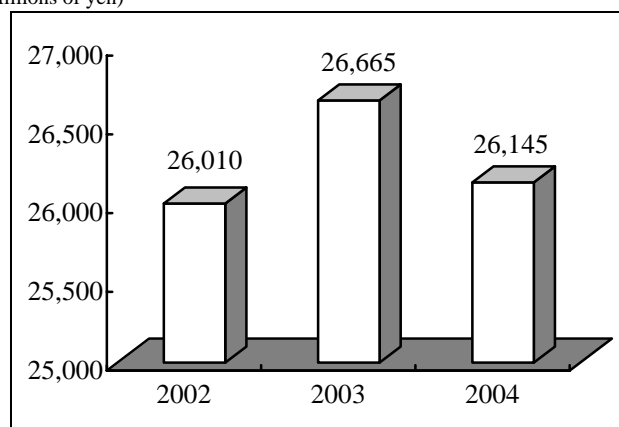
	Yen			U.S. dollars
	2004	2003	2002	2004
Net assets	¥ 2,390.23	¥ 2,327.38	¥ 2,280.23	\$ 22.63
Net income – basic	101.85	88.53	139.34	0.96
Net income – diluted	101.56	88.40	-	0.96
Cash dividends	20.00	10.00	10.00	0.19

#### Notes:

1. All dollar amounts herein refer to U.S. dollars that have been translated from Japanese-yen at ¥105.63=US\$1.00, the exchange rate prevailing on March 31, 2004.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million and thousand.
3. Cash dividend in 2004 is included ¥10.00 as the 40th memorial dividends.

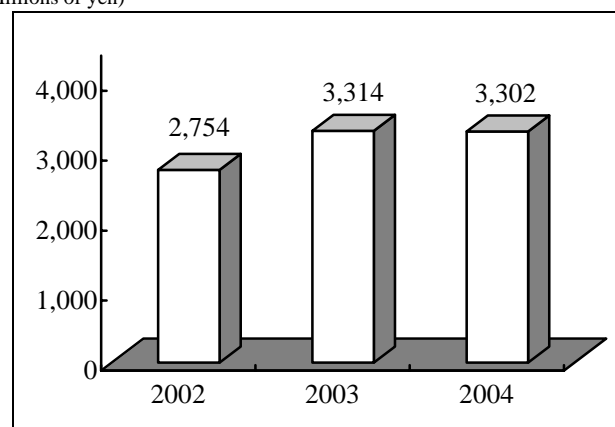
### Net Sales

(Millions of yen)



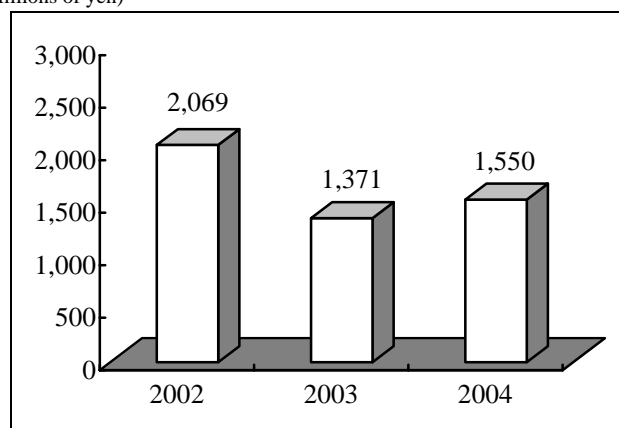
### Operating Income

(Millions of yen)



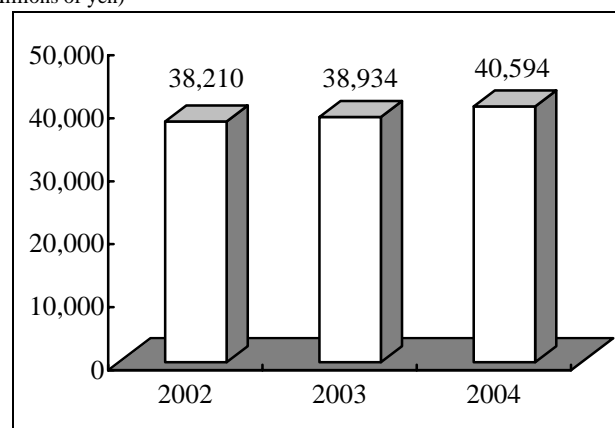
### Net Income

(Millions of yen)



### Total Assets

(Millions of yen)



# Operating Highlights

## BUSINESS SEGMENT INFORMATION

Years ended March 31, 2004 and 2003

	Millions of yen				Thousands of U.S. dollars			
	Net sales		Operating income		Net sales		Operating income	
	2004	2003	2004	2003	2004	2003	2004	2003
Radio	¥ 23,563	¥ 22,889	¥ 3,468	¥ 3,734	\$ 223,071	\$ 216,690	\$ 32,831	\$ 35,350
Computer	2,582	3,777	(166)	(420)	24,444	35,757	(1,571)	(3,976)
Elimination	-	(1)	0	0	-	(9)	0	0
Consolidated Total	26,145	26,665	3,302	3,314	247,515	252,438	31,260	31,374

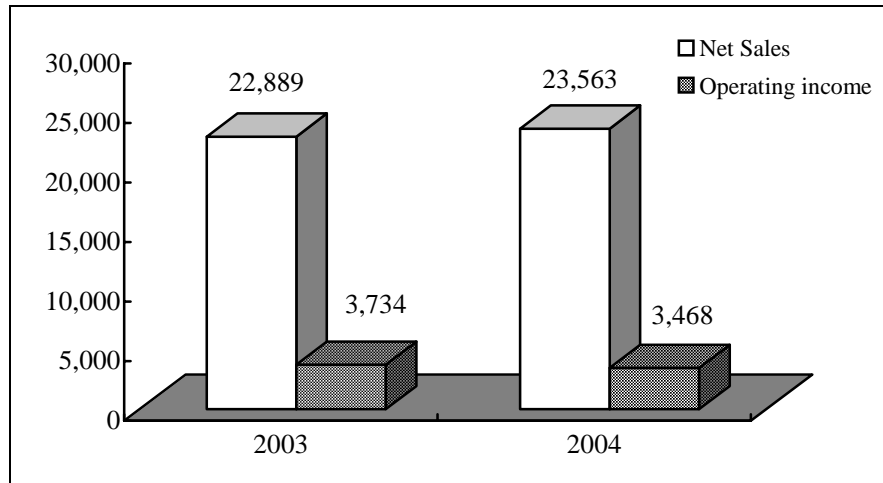
Notes:

1. All dollar amounts herein refer to U.S. dollars that have been translated from Japanese-yen at ¥105.63=US\$1.00, the exchange rate prevailing on March 31, 2004.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million and thousand.

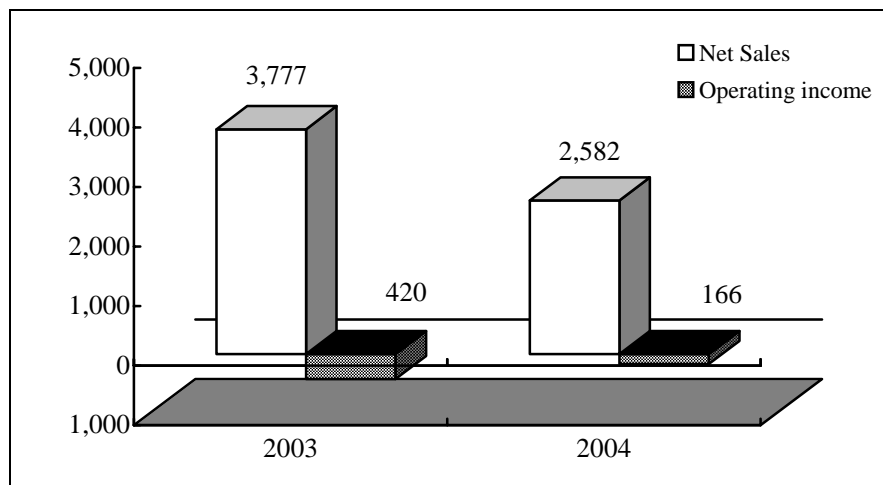
### Radio

(Millions of yen)



### Computer

(Millions of yen)



# Operating Highlights

## GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2004 and 2003

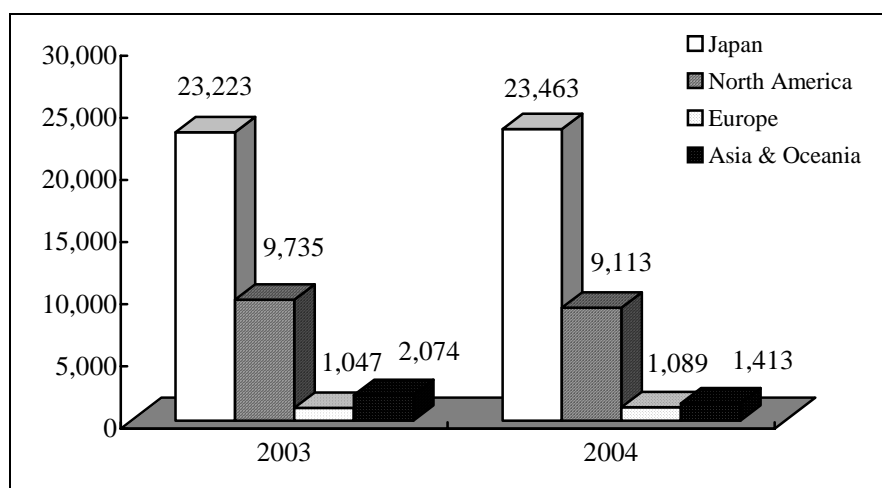
	Millions of yen				Thousands of U.S. dollars			
	Net sales		Operating income		Net sales		Operating income	
	2004	2003	2004	2003	2004	2003	2004	2003
Japan	¥ 23,463	¥ 23,223	¥ 3,090	¥ 2,582	\$ 222,124	\$ 219,853	\$ 29,253	\$ 24,445
North America	9,113	9,735	171	592	86,273	92,161	1,619	5,604
Europe	1,089	1,047	40	68	10,310	9,912	379	644
Asia & Oceania	1,413	2,074	129	126	13,377	19,634	1,221	1,192
Elimination	(8,933)	(9,414)	(128)	(54)	(84,569)	(89,122)	(1,212)	(511)
Consolidated Total	26,145	26,665	3,302	3,314	247,515	252,438	31,260	31,374

Notes:

1. All dollar amounts herein refer to U.S. dollars that have been translated from Japanese-yen at ¥105.63=US\$1.00, the exchange rate prevailing on March 31, 2004.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million and thousand.

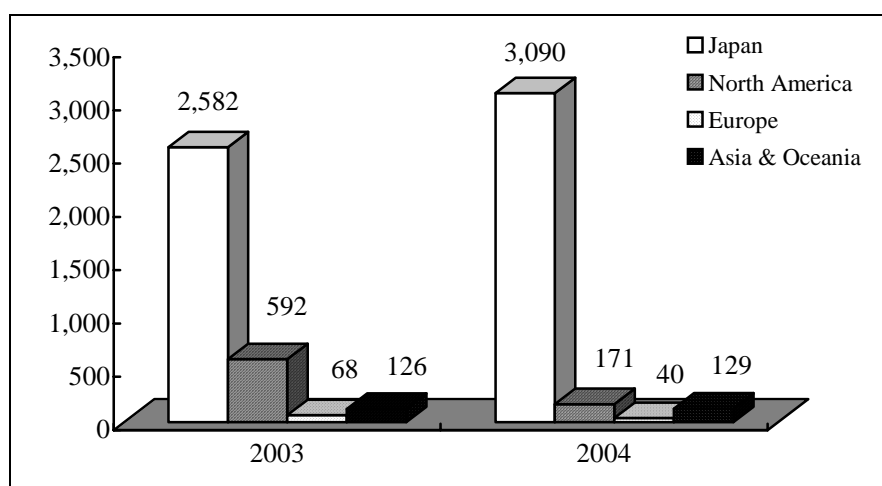
### Net Sales

(Millions of yen)



### Operating Income

(Millions of yen)



# Operating Highlights

## OVERSEAS SALES

Years ended March 31, 2004 and 2003

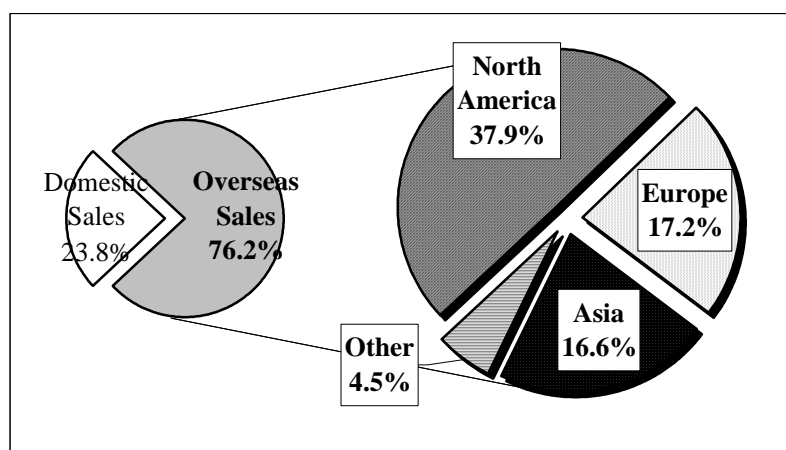
	Millions of yen				Thousands of U.S. dollars	
	2004		2003		2004	2003
North America	¥ 9,393	36.0%	¥ 10,107	37.9%	\$ 88,924	\$ 95,683
Europe	4,783	18.3%	4,591	17.2%	45,281	43,463
Asia	4,688	17.9%	4,431	16.6%	44,381	41,948
Other	1,654	6.3%	1,203	4.5%	15,658	11,389
Overseas Total	20,518	78.5%	20,332	76.2%	194,244	192,483
Domestic Total	5,627	21.5%	6,333	23.8%	53,271	59,955
Consolidated Total	26,145	100.0%	26,665	100.0%	247,515	252,438

Notes:

1. All dollar amounts herein refer to U.S. dollars that have been translated from Japanese-yen at ¥105.63=US\$1.00, the exchange rate prevailing on March 31, 2004.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million and thousand.

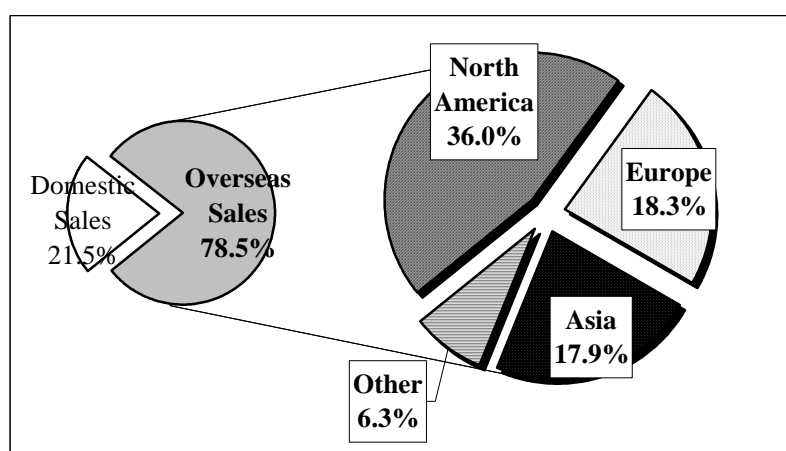
### Net Sales 2003

(Millions of yen)



### Net Sales 2004

(Millions of yen)



ICOM INCORPORATED AND CONSOLIDATED SUBSIDIARIES

# Consolidated Balance Sheets

Years ended March 31, 2004 and 2003

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
<b>Current assets:</b>				
Cash and time deposits (Note 7)	¥ 16,696	¥ 18,537	\$ 158,061	\$ 175,490
Marketable securities (Note 8)	2,750	2,742	26,034	25,958
Trade notes and accounts receivables	4,124	4,669	39,042	44,201
Less allowance for doubtful accounts	(97)	(91)	(918)	(861)
	<u>4,027</u>	<u>4,578</u>	<u>38,124</u>	<u>43,340</u>
Inventories (Note 3)	3,866	3,618	36,600	34,252
Deferred income taxes (Note 11)	833	565	7,886	5,349
Other current assets	362	362	3,427	3,427
Total current assets	<u>28,534</u>	<u>30,402</u>	<u>270,132</u>	<u>287,816</u>
<b>Property, plant and equipment:</b>				
Land	3,289	3,326	31,137	31,488
Building and structures	4,722	4,647	44,703	43,993
Machinery and equipment	7,804	7,910	73,880	74,884
Vehicles and vessels	252	317	2,386	3,001
Construction in progress	0	37	0	350
Property, plant and equipment, at cost	<u>16,067</u>	<u>16,237</u>	<u>152,106</u>	<u>153,716</u>
Less accumulated depreciation	(9,306)	(9,569)	(88,100)	(90,590)
Property, plant and equipment, net	<u>6,761</u>	<u>6,668</u>	<u>64,006</u>	<u>63,126</u>
<b>Investments and other assets:</b>				
Investment securities (Note 8)	3,186	425	30,162	4,024
Deferred income taxes (Note 11)	424	549	4,014	5,197
Other investments	1,668	901	15,791	8,530
Other assets	109	110	1,032	1,041
Less allowance for doubtful accounts	(88)	(121)	(833)	(1,146)
Total Investments and other assets	<u>5,299</u>	<u>1,864</u>	<u>50,166</u>	<u>17,646</u>
<b>Total Assets</b>	<u>¥ 40,594</u>	<u>¥ 38,934</u>	<u>\$ 384,304</u>	<u>\$ 368,588</u>

See accompanying notes to consolidated financial statements

ICOM INCORPORATED AND CONSOLIDATED SUBSIDIARIES

# Consolidated Balance Sheets

Years ended March 31, 2004 and 2003

Liabilities and shareholders' equity	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
<b>Current liabilities:</b>				
Accounts payable – Trade	¥ 1,328	¥ 1,299	\$ 12,572	\$ 12,298
Accounts payable – Other	538	446	5,093	4,222
Accrued income taxes	1,030	716	9,751	6,778
Deferred income taxes (Note 11)	0	0	0	0
Accrued expenses	1,165	911	11,029	8,625
Other current liabilities	159	67	1,506	634
Total current liabilities	<u>4,220</u>	<u>3,439</u>	<u>39,951</u>	<u>32,557</u>
<b>Long-term liabilities:</b>				
Deferred income taxes (Note 11)	4	-	38	-
Accrued retirement benefits for employees (Note 10)	248	401	2,348	3,796
Accrued retirement benefits for directors	556	537	5,263	5,084
Other long-term liabilities	111	103	1,051	975
Total long-term liabilities	<u>919</u>	<u>1,041</u>	<u>8,700</u>	<u>9,855</u>
<b>Minority interests in consolidated subsidiaries</b>	<b>56</b>	<b>43</b>	<b>530</b>	<b>407</b>
<b>Shareholders' equity (Note 4):</b>				
Common stock				
Authorized – 34,000,000 shares; Issued – 14,850,000 shares in 2004 and 2003	7,081	7,081	67,036	67,036
Additional paid-in capital	10,449	10,449	98,921	98,921
Retained earnings	18,065	16,758	171,021	158,648
Unrealized holding gains (losses) on securities	(159)	(58)	(1,505)	(549)
Translation adjustments	53	292	502	2,764
	<u>35,489</u>	<u>34,522</u>	<u>335,975</u>	<u>326,820</u>
Less treasury stock, at cost; 59,582 shares in 2004 and 89,972 shares in 2003	(90)	(111)	(852)	(1,051)
Total shareholders' equity	<u>35,399</u>	<u>34,411</u>	<u>335,123</u>	<u>325,769</u>
<b>Total liabilities and shareholders' equity</b>	<b>¥ 40,594</b>	<b>¥ 38,934</b>	<b>\$ 384,304</b>	<b>\$ 368,588</b>

See accompanying notes to consolidated financial statements

*ICOM INCORPORATED AND CONSOLIDATED SUBSIDIARIES*  
**Consolidated Statements of Income**

Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
<b>Net sales</b>	¥ 26,145	¥ 26,665	\$ 247,515	\$ 252,438
<b>Cost of sales</b>	15,402	16,548	145,811	156,660
Gross profit	10,743	10,117	101,704	95,778
<b>Selling, general and administrative expenses</b>	7,441	6,803	70,444	64,404
Operating income	3,302	3,314	31,260	31,374
<b>Other income (expenses):</b>				
Interest and dividend income	125	215	1,183	2,035
Interest expenses	-	(0)	-	(0)
Gain (loss) on sales of securities, net	49	203	464	1,922
Write-down of securities	(2)	(27)	(19)	(256)
Foreign exchange gain (loss), net	(276)	(960)	(2,613)	(9,088)
Gain (loss) on sales of property, plant and equipment, net	38	(3)	360	(29)
Loss on disposal of property, plant and equipment	(88)	(39)	(833)	(369)
Loss on disposal of inventories	(90)	(115)	(852)	(1,089)
Write-down of inventories	(20)	(52)	(189)	(492)
Sales discount	(255)	(247)	(2,414)	(2,338)
Equity in earnings (losses) of affiliates	1	(2)	9	(19)
Gain on return of substituted portion of employee pension fund	365	-	3,455	-
Litigation claim	(260)	-	(2,461)	-
Other, net	19	6	180	57
Income before income taxes and minority interests	(394)	(1,021)	(3,730)	(9,666)
Income before income taxes and minority interests	2,908	2,293	27,530	21,708
<b>Income taxes:</b>				
Current	1,435	1,043	13,585	9,874
Deferred	(84)	(127)	(795)	(1,202)
Income taxes	1,351	916	12,790	8,672
<b>Minority interests</b>	7	6	66	57
<b>Net income</b>	¥ 1,550	¥ 1,371	\$ 14,674	\$ 12,979

See accompanying notes to consolidated financial statements



ICOM INCORPORATED AND CONSOLIDATED SUBSIDIARIES

# Consolidated Statements of Shareholders' Equity

Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
<b>Common stock</b>				
Balance at beginning of the year				
2004 – 14,850,000 shares;				
2003 – 14,850,000 shares	¥ 7,081	¥ 7,081	\$ 67,036	\$ 67,036
Balance at end of the year				
2004 – 14,850,000 shares;				
2003 – 14,850,000 shares	¥ 7,081	¥ 7,081	\$ 67,036	\$ 67,036
<b>Additional paid-in capital</b>				
Balance at beginning of the year	¥ 10,449	¥ 10,449	\$ 98,921	\$ 98,921
Balance at end of the year	¥ 10,449	¥ 10,449	\$ 98,921	\$ 98,921
<b>Retained earnings</b>				
Balance at beginning of the year	¥ 16,758	¥ 15,594	\$ 158,648	\$ 147,629
Net income	1,550	1,371	14,674	12,979
Cash dividends paid	(148)	(148)	(1,401)	(1,401)
Bonuses to directors and statutory auditors	(59)	(59)	(559)	(559)
Loss on disposal of treasury stock	(36)	-	(341)	-
Balance at end of the year	¥ 18,065	¥ 16,758	\$ 171,021	\$ 158,648
<b>Unrealized holding gains (losses) on securities</b>				
Balance at beginning of the year	¥ (58)	¥ 256	\$ (549)	\$ 2,424
Net changes during the year	(101)	(314)	(956)	(2,973)
Balance at end of the year	¥ (159)	¥ (58)	\$ (1,505)	\$ (549)
<b>Translation adjustments</b>				
Balance at beginning of the year	¥ 292	¥ 481	\$ 2,764	\$ 4,554
Net changes during the year	(239)	(189)	(2,262)	(1,790)
Balance at end of the year	¥ 53	¥ 292	\$ 502	\$ 2,764
<b>Treasury Stock</b>				
Balance at beginning of the year	¥ (111)	¥ (0)	\$ (1,051)	\$ (0)
Purchase of treasury stock	(155)	(111)	(1,467)	(1,051)
Sale of treasury stock	176	-	1,666	-
Balance at end of the year	¥ (90)	¥ (111)	\$ (852)	\$ (1,051)

See accompanying notes to consolidated financial statements

*ICOM INCORPORATED AND CONSOLIDATED SUBSIDIARIES*  
**Consolidated Statements of Cash Flows**

Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
<b>Operating activities:</b>				
Income before income taxes and minority interests	¥ 2,908	¥ 2,293	\$ 27,530	\$ 21,708
Depreciation and amortization	910	873	8,615	8,265
Interest and dividend income	(125)	(215)	(1,183)	(2,035)
Interest expenses	-	0	-	0
Foreign exchange (gain) loss, net	249	1,046	2,357	9,902
Notes and accounts receivable	215	(318)	2,035	(3,011)
Inventories	(456)	767	(4,317)	7,261
Notes and accounts payable	238	143	2,253	1,354
Other	389	209	3,683	1,979
Subtotal	4,328	4,798	40,973	45,423
Income taxes paid	(1,107)	(1,109)	(10,480)	(10,499)
<b>Net cash provided by operating activities</b>	<b>3,221</b>	<b>3,689</b>	<b>30,493</b>	<b>34,924</b>
<b>Investing activities:</b>				
Increase in time deposits with original maturities over three months	(151)	-	(1,429)	-
Purchase of marketable securities	(400)	(200)	(3,787)	(1,893)
Proceeds from sales of marketable securities	408	500	3,863	4,733
Purchase of property, plant and equipment	(1,103)	(903)	(10,442)	(8,549)
Purchase of other assets	(60)	(11)	(568)	(104)
Purchase of investment securities	(3,420)	(248)	(32,377)	(2,348)
Proceeds from sales of investment securities	531	1,370	5,027	12,970
Interest and dividend income received	124	216	1,174	2,045
Other	(725)	1	(6,864)	9
<b>Net cash used in investing activities</b>	<b>(4,796)</b>	<b>725</b>	<b>(45,403)</b>	<b>6,863</b>
<b>Financing activities:</b>				
Purchase of treasury stock	(155)	(111)	(1,467)	(1,051)
Proceeds from sales of treasury stock	140	-	1,325	-
Interest expenses paid	-	(0)	-	(0)
Cash dividends paid	(148)	(148)	(1,401)	(1,401)
<b>Net cash used in financing activities</b>	<b>(163)</b>	<b>(259)</b>	<b>(1,543)</b>	<b>(2,452)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(559)</b>	<b>(1,308)</b>	<b>(5,292)</b>	<b>(12,383)</b>
<b>Increase in cash and cash equivalents</b>	<b>(2,297)</b>	<b>2,847</b>	<b>(21,745)</b>	<b>26,952</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>21,069</b>	<b>18,222</b>	<b>199,460</b>	<b>172,508</b>
<b>Cash and cash equivalents at end of year</b>	<b>18,772</b>	<b>21,069</b>	<b>177,715</b>	<b>199,460</b>

See accompanying notes to consolidated financial statements

# Notes to Consolidated Financial Statements

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of ICOM INCORPORATED (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2003 to the 2004 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience, as a matter of arithmetic computation only, at the rate of ¥105.63 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2004. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation Principles

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in the affiliates over which the Company has the ability to exercise significant influence (mainly 20-50 percent owned companies) are accounted for using the equity method.

Under the control or influence concept, companies in which the Company and/or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations are fully consolidated, and the other company over which the Company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method. See Note 15.

Investment in a remaining affiliate is stated at cost except that write-downs are recorded for the value of investments that have been permanently impaired. If the equity method of accounting had been applied to these investments, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company and its subsidiaries (the "Group") is eliminated.

### (b) Marketable securities and Investment Securities

Securities are classified into two categories: equity investments in associates and other securities.

Other securities with market values are carried at fair value with the unrealized gains and losses, net of income tax, reported in a separate component of shareholders' equity.

Other securities with no market values are carried at cost. The cost is determined by the moving average method.

### (c) Inventories

Finished goods .....	principally at cost being determined by the moving average method, except for the lower of cost or market for some overseas subsidiaries
Work in process .....	cost being determined by the moving average method
Raw materials and supplies (for repair and R&D) .....	the lower of the moving average cost or market
Merchandise and supplies (other) .....	principally at the most recent purchase prices

### (d) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation for the Company and its domestic subsidiaries is computed at rates based on the estimated useful lives of assets using the declining-balance method except for buildings for which the straight-line method is applied. Depreciation for the Company's overseas subsidiaries is computed at rates based on the estimated useful lives of assets using the accelerated or the straight-line method.

# Notes to Consolidated Financial Statements

## **(e) Computer Software**

Expenditure relating to computer software developed for internal use is charged to income when incurred, except if it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and is amortized using the straight-line method over its estimated useful life which is in the range of 3 to 5 years.

## **(f) Allowance for Doubtful Accounts**

The allowance for doubtful accounts is computed based on the actual ratio of bad debts in the past and an estimate of certain uncollectible amounts determined by an analysis of specific individual receivables.

## **(g) Accrued Retirement Benefits**

The accrued retirement benefits for employees are provided based on the amount of projected benefit obligation deducted by pension plan assets at fair value at the end of the annual period.

According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company obtained an approval from the Ministry of Health, Labor and Welfare on March 26, 2004, for an exemption from the future benefit obligation with respect to the substitutional portion of the employees pension fund that the Company operated on behalf of the Government.

The Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under the Employees Pension Fund as of the date of an approval of its exemption, assuming that the transfer to the Government of the substitutional portion of the benefit obligation and the related pension plan assets had been completed as of that date. The effect of adopting this standard is disclosed in Note 10.

The retirement benefits for directors and statutory auditors are paid based on the Company regulation subject to the approval at the shareholders' meeting.

The accrued retirement benefits for directors are set up annually as the cost for the year can be estimated on the Company regulation.

## **(h) Accrued Litigation Claim**

One overseas subsidiary have accrued as provision for the litigation claim for providing claims for damage in lawsuits by customers.

## **(i) Translation of Foreign Currencies**

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates in effect on the respective balance sheet dates. Revenue and expenses are translated at the average rates of exchange for the respective years. Every monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date and translation adjustments of foreign currency financial statements are reflected in shareholders' equity and minority interests in the consolidated balance sheets.

## **(j) Leases**

In Japan, finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases.

## **(k) Hedge Accounting**

Foreign exchange contracts that meet the criteria are accounted for under the allocation method, which requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rates.

## **(l) Appropriation of Retained Earnings**

Under the Commercial Code of Japan (the "Code"), the appropriation of retained earnings with respect to the year ended March 31, 2004 was made by resolutions of the shareholders at the annual meeting held subsequent to the close of the year. Therefore, the accounts for the year do not reflect such appropriations. See Note 16.

## **(m) Consolidated Statements of Cash Flows**

For the purposes of cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of overdrafts and all highly liquid investments with maturities of three months or less.

## **(n) Impairment of Fixed Assets**

Effective March 31, 2004, the Group adopted the Accounting Standard for Impairment of Fixed Assets which was issued by the Business Accounting Council.

There were no effects by adoption of the Accounting Standard on the consolidated financial statements for the year ended March 31, 2004.

# Notes to Consolidated Financial Statements

## 3. Inventories

Inventories at March 31, 2004 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Merchandise & Finished products	¥ 2,417	¥ 2,292	\$ 22,882	\$ 21,698
Work in process	47	46	445	436
Raw material and supplies	1,402	1,280	13,273	12,118
	<b>3,866</b>	<b>3,618</b>	<b>36,600</b>	<b>34,252</b>

## 4. Shareholders' Equity

The Code requires the Company to transfer an amount equal to at least 10% of appropriations paid in cash to the legal reserve. Under the revised Code effective on October 1, 2001, the Company may not appropriate retained earnings to the legal reserve when the total balance of the legal reserve and additional paid-in capital equals to 25% of common stock. Amounts of the legal reserve and additional paid-in capital in excess of 25% of common stock, subject to a shareholders' approval, may be used for dividend distributions.

## 5. Stock Option Plans

The Company has stock option plans and the following is outlines of the plans:

### Plans approved on June 29, 2000:

Qualified persons .....	7 directors of the Company
Number of shares granted.....	70,000 shares (The balance at March 31, 2004 is 70,000 shares)
Exercise price.....	¥ 2,101

### Plans approved on June 27, 2001:

Qualified persons .....	7 directors and 113 employees of the Company
Number of shares granted.....	186,000 shares (The balance at March 31, 2004 is 70,200 shares)
Exercise price.....	¥ 1,199

### Plans approved on June 26, 2003:

Qualified persons .....	9 directors, 1 auditor and 259 employees of the Company and 1 director and 40 employees of its domestic subsidiaries
Number of shares granted.....	395,000 shares (The balance at March 31, 2004 is 395,000 shares)
Exercise price.....	¥ 2,050

## 6. Research and Development

Research and development expenditure charged to income was ¥2,080 million (\$19,691 thousand) and ¥1,758 million (\$16,643 thousand) for the years ended March 31, 2004 and 2003, respectively.

## 7. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Cash and time deposits (in the consolidated balance sheets)	¥ 16,696	¥ 18,537	\$ 158,061	\$ 175,490
Marketable securities	2,750	2,742	26,034	25,958
Subtotal	19,446	21,279	184,095	201,448
Time deposit (due after 3 months)	(162)	(3)	(1,533)	(28)
Marketable securities (due after 3 months)	(512)	(207)	(4,847)	(1,960)
Cash and cash equivalents (in the consolidated statements of cash flow)	<b>18,772</b>	<b>21,069</b>	<b>177,715</b>	<b>199,460</b>

# Notes to Consolidated Financial Statements

## 8. Marketable securities and Investment Securities

Marketable securities and investment securities for the year ended March 31, 2004 are as follows:

### (1) Other marketable securities:

	Millions of yen			Thousands of U.S. dollars		
	2004			2004		
	Acquisition Cost	Book Value	Unrealized Gain (Loss)	Acquisition Cost	Book Value	Unrealized Gain (Loss)
Those of the Book Value exceeding the Acquisition Cost						
(1) Stocks	¥ 165	¥ 292	¥ 127	\$ 1,562	\$ 2,764	\$ 1,202
(2) Bonds						
Government, Municipal bonds	-	-	-	-	-	-
Corporate bonds	411	413	2	3,891	3,910	19
Other	-	-	-	-	-	-
(3) Other	2,294	2,306	12	21,717	21,831	114
Subtotal	2,870	3,011	141	27,170	28,505	1,335
Those of the Book Value not exceeding the Acquisition Cost						
(1) Stocks	37	31	(6)	350	294	(56)
(2) Bonds						
Government, Municipal bonds	-	-	-	-	-	-
Corporate bonds	601	598	(3)	5,690	5,661	(29)
Other	-	-	-	-	-	-
(3) Other	-	-	-	-	-	-
Subtotal	638	629	(9)	6,040	5,955	(85)
Total	3,508	3,640	132	33,210	34,460	1,250

### (2) Other securities sold during the fiscal year under review:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Sales price	¥ 328	\$ 3,105
Total gain on sales	51	483
Total loss on sales	2	19

### (3) Non-marketable securities:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
	Book Value	Book Value
Other securities		
Unlisted stocks (except for the over-the-counter stocks)	¥ 48	\$ 455
Money market fund	2,238	21,187
Total	2,286	21,642

### (4) Maturity values expected for securities with maturity and bonds held for the maturity out of other securities:

	Millions of yen			
	2004			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1) Bonds				
Government, Municipal bonds	¥ -	¥ -	¥ -	¥ -
Corporate bonds	512	300	101	99
Other	-	-	-	-
(2) Other	-	-	-	-
Total	512	300	101	99
	Thousands of U.S. dollars			
	2004			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1) Bonds				
Government, Municipal bonds	\$ -	\$ -	\$ -	\$ -
Corporate bonds	4,847	2,840	956	937
Other	-	-	-	-
(2) Other	-	-	-	-
Total	4,847	2,840	956	937

# Notes to Consolidated Financial Statements

Marketable securities and investment securities for the year ended March 31, 2003 are as follows:

**(1) Other marketable securities:**

	Millions of yen			Thousands of U.S. dollars		
	2003			2003		
	Acquisition Cost	Book Value	Unrealized Gain (Loss)	Acquisition Cost	Book Value	Unrealized Gain (Loss)
Those of the Book Value exceeding the Acquisition Cost						
(1) Stocks	¥ 10	¥ 17	¥ 7	\$ 94	\$ 161	\$ 67
(2) Bonds						
Government, Municipal bonds	-	-	-	-	-	-
Corporate bonds	218	218	0	2,064	2,064	0
Other	-	-	-	-	-	-
(3) Other	-	-	-	-	-	-
Subtotal	228	235	7	2,158	2,225	67
Those of the Book Value not exceeding the Acquisition Cost						
(1) Stocks	183	174	(9)	1,733	1,647	(86)
(2) Bonds						
Government, Municipal bonds	-	-	-	-	-	-
Corporate bonds	200	199	(1)	1,893	1,884	(9)
Other	-	-	-	-	-	-
(3) Other	-	-	-	-	-	-
Subtotal	383	373	(10)	3,626	3,531	(95)
Total	611	608	(3)	5,784	5,756	(28)

**(2) Other securities sold during the fiscal year under review:**

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Sales price	¥ 3,493	\$ 33,068
Total gain on sales	203	1,922
Total loss on sales	1	5

**(3) Non-marketable securities:**

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Other securities		
Unlisted stocks (except for the over-the-counter stocks)	¥ 16	\$ 151
Money market fund	2,535	23,999
Total	2,551	24,150

**(4) Maturity values expected for securities with maturity and bonds held for the maturity out of other securities:**

	Millions of yen			
	2003			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1) Bonds				
Government, Municipal bonds	¥ -	¥ -	¥ -	¥ -
Corporate bonds	207	210	-	-
Other	-	-	-	-
(2) Other	-	-	-	-
Total	207	210	-	-
Thousands of U.S. dollars				
2003				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
(1) Bonds				
Government, Municipal bonds	\$ -	\$ -	\$ -	\$ -
Corporate bonds	1,960	1,988	-	-
Other	-	-	-	-
(2) Other	-	-	-	-
Total	1,960	1,988	-	-

# Notes to Consolidated Financial Statements

## 9. Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company principally to reduce foreign exchange rate risk. The Company has established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company does not activate derivative financial instruments for speculative trading purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency; however, the Group does not anticipate non-performance by any of these counterparties all of which are financial institutions with high credit ratings.

Foreign exchange contracts that meet the criteria are accounted for under the allocation method, which requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rates.

## 10. Accrued Retirement Benefits

The Company and its domestic subsidiaries have the employees pension fund, the tax-qualified pension plan and the lump-sum severance. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company obtained an approval from the Ministry of Health, Labor and Welfare on March 26, 2004, for an exemption from the future benefit obligation with respect to the substitutional portion of the employees pension fund that the Company operated on behalf of the Government.

The Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under the Employees Pension Fund as of the date of an approval of its exemption, assuming that the transfer to the Government of the substitutional portion of the benefit obligation and the related pension plan assets had been completed as of that date.

As a result of this exemption, the Company recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥365 million (\$3,455 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2004. The amount of plan assets, in accordance with a transitional measurement, which would be transferred to the government as of March 31, 2004 was ¥702 million (\$6,646 thousand).

The following tables set forth the changes in benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2004 and 2003.

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Benefit obligation at end of the year	¥ (1,834)	¥ (3,219)	\$ (17,362)	\$ (30,474)
Fair value of plan assets at end of the year	935	1,425	8,851	13,490
Unfunded retirement benefit obligation	(899)	(1,794)	(8,511)	(16,984)
Unrecognized net transition obligation at date of adoption	225	474	2,130	4,488
Unrecognized actuarial gain	426	919	4,033	8,700
Accrued retirement benefits for employees	(248)	(401)	(2,348)	(3,796)

Note: Some domestic subsidiaries have adopted allowed alternative treatment of the accounting standards for retirement benefit for small business entity.

Severance and pension costs of the Company and its subsidiaries included the following components for the years ended March 31, 2004 and 2003.

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Service cost	¥ 207	¥ 193	\$ 1,960	\$ 1,827
Interest cost	63	56	596	530
Expected return on plan assets	(27)	(28)	(256)	(265)
Amortization of transition obligation at date of adoption	39	39	369	370
Amortization of actuarial gain	101	71	956	672
Net periodic benefit cost	383	331	3,625	3,134
Gain on return of substituted portion of employee pension fund	(365)	-	(3,455)	-
Net benefit cost	18	331	170	3,134

Note: The net periodic benefit cost of the domestic subsidiaries, who have adopted allowed alternative treatment of the accounting standards for retirement benefit for small business entity, are included in the service cost.



# Notes to Consolidated Financial Statements

Assumption used in the accounting for the defined benefit plans for the years ended March 31, 2004 and 2003 are as follows:

	2004	2003
Method of attributing benefit to periods of service	<b>Straight-line basis</b>	Straight-line basis
Discount rate	<b>2.0%</b>	2.0%
Long-term rate of return on fund assets	<b>2.0%</b>	2.0%
Amortization period for prior service cost	-	-
Amortization period for actuarial gain	<b>10 years</b>	10 years
Amortization period for transition obligation at date of adoption	<b>15 years</b>	15 years

## 11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income, which, in the aggregate, resulted in a normal statutory tax rate of approximately 42% for both 2004 and 2003. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets or liabilities at March 31, 2004 and 2003 are presented below:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Deferred tax assets:				
Unrealized profit on inventories	¥ 309	¥ 255	\$ 2,925	\$ 2,414
Retirement and severance benefit for directors	226	220	2,139	2,083
Accrued bonus	134	115	1,268	1,089
Unrealized holding gains (losses) on securities	109	42	1,032	397
Retirement and severance benefit for employees	100	164	947	1,552
Accrued litigation claim	83	-	786	-
Accrued enterprise taxes	73	70	691	663
Write-down of securities	55	57	521	540
Allowance for doubtful accounts	53	62	502	587
Write-down of inventories	-	21	-	199
Other	122	119	1,155	1,126
Total gross deferred tax assets	<b>1,264</b>	1,125	<b>11,966</b>	10,650
Deferred tax liabilities:				
Special depreciation reserve	(11)	(11)	(104)	(104)
Other	(0)	(0)	(0)	(0)
Total gross deferred tax liabilities	<b>(11)</b>	(11)	<b>(104)</b>	(104)
Net deferred tax assets	<b>1,253</b>	1,114	<b>11,862</b>	10,546

The difference reason between the effective tax rate reflected in the consolidated statements of operations for the year ended March 31, 2004 and the statutory tax rate is as follows:

	2004
Statutory tax rate	<b>42.0%</b>
Tax on undistributed profit for the past	<b>7.7%</b>
Per capita inhabitant tax	<b>0.6%</b>
Tax credit for research and development expenses	<b>(4.5%)</b>
Adjustment to deferred tax assets and liabilities for enacted changes in tax laws and rates	<b>0.3%</b>
Other	<b>0.4%</b>
Effective tax rate	<b>46.5%</b>

Note: The differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2003 were insignificant and not presented.

# Notes to Consolidated Financial Statements

## 12. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in Japan and overseas in two major segments: Radio and Computer segments. The Radio products are manufactured by the Company and Wakayama Icom Inc., and those products are sold in Japan and overseas through the Company and its consolidated subsidiaries. The manufacture in the Computer segment is handled by the Company and Wakayama Icom Inc. and some components and commercial products are supplied by Asia Icom Inc. The market of the Computer segment is mainly in Japan and the products are sold by the Company and its domestic subsidiaries.

### (1) Business Segments

The business segment information of the Group for the years ended March 31, 2004 and 2003 is as follows:

	Millions of yen				
	2004				
	Radio	Computer	Subtotal	Elimination	Consolidated
. Net Sales and Operating Income					
Sales to customers	¥ 23,563	¥ 2,582	¥ 26,145	¥ -	¥ 26,145
Intersegment sales	-	-	-	-	-
Total net sales	23,563	2,582	26,145	-	26,145
Operating Expenses	20,095	2,748	22,843	(0)	22,843
Operating Income	3,468	(166)	3,302	0	3,302
. Assets, Depreciation and Capital Expenditures					
Assets	38,261	2,333	40,594	-	40,594
Depreciation	889	21	910	-	910
Capital Expenditures	1,198	4	1,202	-	1,202

	Thousands of U.S. dollars				
	2004				
	Radio	Computer	Subtotal	Elimination	Consolidated
. Net Sales and Operating Income					
Sales to customers	\$ 223,071	\$ 24,444	\$ 247,515	\$ -	\$ 247,515
Intersegment sales	-	-	-	-	-
Total net sales	223,071	24,444	247,515	-	247,515
Operating Expenses	190,240	26,015	216,255	(0)	216,255
Operating Income	32,831	(1,571)	31,260	0	31,260
. Assets, Depreciation and Capital Expenditures					
Assets	362,217	22,087	384,304	-	384,304
Depreciation	8,416	199	8,615	-	8,615
Capital Expenditures	11,341	38	11,379	-	11,379

	Millions of yen				
	2003				
	Radio	Computer	Subtotal	Elimination	Consolidated
. Net Sales and Operating Income					
Sales to customers	¥ 22,889	¥ 3,776	¥ 26,665	¥ -	¥ 26,665
Intersegment sales	-	1	1	(1)	-
Total net sales	22,889	3,777	26,666	(1)	26,665
Operating Expenses	19,155	4,197	23,352	(1)	23,351
Operating Income	3,734	(420)	3,314	0	3,314
. Assets, Depreciation and Capital Expenditures					
Assets	35,362	3,572	38,934	(0)	38,934
Depreciation	838	35	873	-	873
Capital Expenditures	1,152	7	1,159	-	1,159

# Notes to Consolidated Financial Statements

	Thousands of U.S. dollars				
	2003				
	Radio	Computer	Subtotal	Elimination	Consolidated
. Net Sales and Operating Income					
Sales to customers	\$ 216,690	\$ 35,748	\$ 252,438	\$ -	\$ 252,438
Intersegment sales	-	9	9	(9)	-
Total net sales	216,690	35,757	252,447	(9)	252,438
Operating Expenses	181,340	39,733	221,073	(9)	221,064
Operating Income	35,350	(3,976)	31,374	0	31,374
. Assets, Depreciation and Capital Expenditures					
Assets	334,772	33,816	368,588	(0)	368,588
Depreciation	7,934	331	8,265	-	8,265
Capital Expenditures	10,906	66	10,972	-	10,972

## (2) Geographical Segments

The geographical segments of the Group for the years ended March 31, 2004 and 2003 are summarized as follows:

	Millions of yen						
	2004						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Elimination	Consolidated
. Net Sales and Operating Income							
Sales to customers	¥ 15,063	¥ 9,111	¥ 1,085	¥ 886	¥ 26,145	¥ -	¥ 26,145
Intersegment sales	8,400	2	4	527	8,933	(8,933)	-
Total net sales	23,463	9,113	1,089	1,413	35,078	(8,933)	26,145
Operating Expenses	20,373	8,942	1,049	1,284	31,648	(8,805)	22,843
Operating Income	3,090	171	40	129	3,430	(128)	3,302
. Assets	36,735	4,489	604	1,046	42,874	(2,280)	40,594

	Thousands of U.S. dollars						
	2004						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Elimination	Consolidated
. Net Sales and Operating Income							
Sales to customers	\$ 142,601	\$ 86,254	\$ 10,272	\$ 8,388	\$ 247,515	\$ -	\$ 247,515
Intersegment sales	79,523	19	38	4,989	84,569	(84,569)	-
Total net sales	222,124	86,273	10,310	13,377	332,084	(84,569)	247,515
Operating Expenses	192,871	84,654	9,931	12,156	299,612	(83,357)	216,255
Operating Income	29,253	1,619	379	1,221	32,472	(1,212)	31,260
. Assets	347,771	42,497	5,718	9,903	405,889	(21,585)	384,304

	Millions of yen						
	2003						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Elimination	Consolidated
. Net Sales and Operating Income							
Sales to customers	¥ 15,177	¥ 9,732	¥ 1,040	¥ 716	¥ 26,665	¥ -	¥ 26,665
Intersegment sales	8,046	3	7	1,358	9,414	(9,414)	-
Total net sales	23,223	9,735	1,047	2,074	36,079	(9,414)	26,665
Operating Expenses	20,641	9,143	979	1,948	32,711	(9,360)	23,351
Operating Income	2,582	592	68	126	3,368	(54)	3,314
. Assets	35,349	4,654	563	818	41,384	(2,450)	38,934

# Notes to Consolidated Financial Statements

	Thousands of U.S. dollars						
	2003						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Elimination	Consolidated
. Net Sales and Operating Income							
Sales to customers	\$ 143,681	\$ 92,133	\$ 9,846	\$ 6,778	\$ 252,438	\$ -	\$ 252,438
Intersegment sales	76,172	28	66	12,856	89,122	(89,122)	-
Total net sales	219,853	92,161	9,912	19,634	341,560	(89,122)	252,438
Operating Expenses	195,408	86,557	9,268	18,442	309,675	(88,611)	221,064
Operating Income	24,445	5,604	644	1,192	31,885	(511)	31,374
. Assets	334,649	44,059	5,330	7,744	391,782	(23,194)	368,588

### (3) Overseas Sales

The overseas sales, which include export sales of the Company and sales (other than exports to Japan) of the overseas subsidiaries, for the years ended March 31, 2004 and 2003 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2004		2003		2004	2003
North America	¥ 9,393	36.0%	¥ 10,107	37.9%	\$ 88,924	\$ 95,683
Europe	4,783	18.3%	4,591	17.2%	45,281	43,463
Asia	4,688	17.9%	4,431	16.6%	44,381	41,948
Other	1,654	6.3%	1,203	4.5%	15,658	11,389
Sales to foreign customers	20,518	78.5%	20,332	76.2%	194,244	192,483
Consolidated net sales	26,145	100.0%	26,665	100.0%	247,515	252,438

### 13. Related Party Transactions

The Company conducts transaction with some related parties. Sales or payment price and other conditions of transactions with related parties were the same as the ones with other non-related parties. The detail is presented below:

#### Directors and Principal Individual Shareholders

Company Name .....Gigapalace (Note 1, 2)  
 Main transaction .....Sales of computers (The amounts of transaction was ¥24 million (\$227 thousand) and ¥43 million (\$407 thousand) for the years ended March 31, 2004 and 2003, respectively.)

Note 1: Attribute of related parties  
 Gigapalace is a company, which the Company's directors and their close relatives own a majority of its voting rights.  
 Note 2: 6 directors of the Company and their close relatives own 95% of voting rights in 2004.  
 5 directors of the Company and their close relatives own 95% of voting rights in 2003.  
 Mr. Inoue is also a principal individual shareholder of the Company.  
 Gigapalace is a principal corporate shareholder of the Company.

Company Name .....Shin Nihon Kanko Co., LTD. (Note 1, 2)  
 Main transaction .....Payment of advertising (The amounts of transaction was ¥3 million (\$28 thousand) for the years ended March 31, 2004.)

Note 1: Attribute of related parties  
 Shin Nihon Kanko Co., LTD is a company, which the Company's director and their close relatives own a majority of its voting rights.  
 Note 2: 1 director of the Company and their close relatives own 100% of voting rights in 2004.

Name .....Hiroshi Umemoto (Note 1)  
 Main transaction .....Payment of lawyer's fee (The amounts of transaction was ¥3 million (\$28 thousand) for the years ended March 31, 2004.) (Note 2)

Note 1: Attribute of related parties  
 Hiroshi Umemoto is a statutory auditor of the Company.  
 Note 2: This transaction is practiced with the corporation to which Hiroshi Umemoto belongs.

# Notes to Consolidated Financial Statements

Name .....Katsunori Sugimoto (*Note 1*)  
 Main transaction .....Payment of attorney's fee (The amounts of transaction was ¥9 million (\$85 thousand) for the years ended March 31, 2004.) (*Note 2*)

Note 1: Attribute of related parties  
 Katsunori Sugimoto is a statutory auditor of the Company.  
 Note 2: This transaction is practiced with the business office which Katsunori Sugimoto operate.

## 14. Per Share Information

	Yen		U.S. dollars	
	2004	2003	2004	2003
Net income:				
Basic	¥ 101.85	¥ 88.53	\$ 0.96	\$ 0.84
Diluted	101.56	88.40	0.96	0.84
Cash dividends	20.00	10.00	0.19	0.09
Net assets	2,390.23	2,327.38	22.63	22.03

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period.

Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

Cash dividend in 2004 is included ¥10.00 as the 40th memorial dividends.

## 15. Significant Subsidiaries and Affiliates

The Company's subsidiaries and significant affiliates are as follows:

Name	Ownership Interest	Country of Incorporation	Subsidiaries/Affiliates
Icom America, Inc.	100.0%	United States of America	Consolidated Subsidiary
Icom (Europe) GmbH	100.0%	Germany	Consolidated Subsidiary
Icom (Australia) Pty., Ltd.	92.7%	Australia	Consolidated Subsidiary
Icom Spain, S.L.	100.0%	Spain	Consolidated Subsidiary
Asia Icom Inc.	100.0%	Taiwan	Consolidated Subsidiary
Wakayama Icom Inc.	100.0%	Japan	Consolidated Subsidiary
Icom Information Products Inc.	100.0%	Japan	Consolidated Subsidiary
Icom America License Holding LLC	100.0%	United States of America	Consolidated Subsidiary
Comforce Inc.	49.0%	Japan	Affiliate by the equity method

## 16. Subsequent Event

The following appropriations of the Company's retained earnings in respect of the year ended March 31, 2004 were as proposed by Board of Directors and approved by the shareholders at the annual meeting held on June 25, 2004:

	Millions of	Thousands of
	yen	U.S. dollars
	2004	2004
Cash dividends	¥ 222	\$ 2,102
Bonuses to directors and statutory auditors	47	445
	269	2,547

# Independent Auditors' Report

The Board of Directors  
ICOM INCORPORATED

We have audited the accompanying consolidated balance sheets of ICOM INCORPORATED and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICOM INCORPORATED and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2004 and 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Shin Nihon & Co.*

June 25, 2004

## **BOARD OF DIRECTORS AND AUDITOR**

Tokuzo Inoue  
*President and Representative Director*

Tsutomu Fukui  
*Senior Managing Director*

Kiyoshi Sakurai  
*Director*

Yasuo Hyakudai  
*Director*

Masataka Harima  
*Director*

Nobuo Ogawa  
*Director*

Masanori Kamoto  
*Director*

Hiroshi Shimizu  
*Director*

Kikuji Okumura  
*Director (part-time)*

Naosuke Namikawa  
*Director (part-time)*

Taichiro Itoyama  
*Director (part-time)*

Masaki Mori  
*Auditor (full-time)*

Hiroshi Umemoto  
*Auditor*

Katsunori Sugimoto  
*Auditor*

## **DIRECTORY**

### **Head Office:**

1-1-32, Kamiminami, Hirano-ku,  
Osaka, 547-0003, JAPAN  
Phone: 81-6-6793-5301  
Fax: 81-6-6793-5305  
URL <http://www.icom.co.jp/>

### **Subsidiaries:**

**Icom America, Inc.**  
2380 116<sup>th</sup> Avenue N.E., Bellevue,  
WA 98004, U.S.A.  
Phone: 1-425-454-8155  
Fax: 1-425-454-1509  
URL <http://www.icomamerica.com/>

**Icom (Europe) GmbH**  
Himmelgeister Str. 100, D-40225  
Dusseldorf, GERMANY  
Phone: 49-211-346047  
Fax: 49-211-333639  
URL <http://www.icomeurope.com/>

**Icom (Australia) Pty., Ltd.**  
A.C.N.006 092 575  
290-294 Albert Street, Brunswick  
Victoria, 3056, AUSTRALIA  
Phone: 61-3-9387-0666  
Fax: 61-3-9387-0022  
URL <http://www.icom.net.au/>

**Icom Spain, S.L.**  
"Edificio Can Castanyer" Ctra. Gracia  
a Manresa km.14, 750 08190 Sant Cugat  
Del Valles Barcelona, SPAIN  
Phone: 34-93-590-2670  
Fax: 34-93-589-0446  
URL <http://www.icomspain.com/>

**Asia Icom Inc.**  
6F, No.68, Section 1, Cheng-The,  
Road Taipei, TAIWAN R.O.C.  
Phone: 886-2-2559-1899  
Fax: 886-2-2559-1874

**Wakayama Icom Inc.**  
1866-1, Oaza tokuda, Kibi-chou  
Arita-gun, Wakayama, 643-0101  
JAPAN  
Phone: 81-737-52-6600  
Fax: 81-737-52-6603

**Icom Information Products Inc.**  
1-10-31, Hiranokita, Hirano-ku,  
Osaka, 547-0041, JAPAN  
Phone: 81-6-6793-1101  
Fax: 81-6-6793-8050  
URL <http://www.icom-jk.co.jp/>

**Icom America License Holding LLC**  
2380 116<sup>th</sup> Avenue N.E., Bellevue,  
WA 98004, U.S.A.  
Phone: 1-425-454-8155  
Fax: 1-425-454-1509

### **Affiliates:**

**Comforce Inc.**  
4F, 3-3-18, Kaigan, Minato-ku,  
Tokyo, 108-0022, JAPAN  
Phone: 81-3-5730-3535  
Fax: 81-3-5476-2828  
URL <http://www.comforce.co.jp/>

## **TRANSFER AGENT**

UFJ Trust Bank Ltd  
Tokyo Office:  
4-3, Marunouchi 1-chome, Chiyoda-  
ku, Tokyo 100-0005, JAPAN  
Osaka Office:  
6-3, Fushimimachi 3-chome, Chuo-  
ku, Osaka 541-0044, JAPAN

## **INVESTOR RELATIONS**

Mr. Tsutomu Fukui  
Senior Managing Director, Icom Inc.  
1-1-32, Kamiminami, Hirano-ku,  
Osaka, 547-0003, JAPAN  
Phone: 81-6-6793-5301  
Fax: 81-6-6793-5305

## **CORPORATE FACTS**

Established: April, 1964  
Employees: 499  
Paid-in-capital: ¥7,081 million  
Authorized shares: 34,000,000  
Issued and Outstanding shares:  
14,850,000  
Shareholders: 2,930  
Stock listed: Tokyo Stock Exchange  
and Osaka Securities Exchange

Shareholders	Thousands of shares
Tokuzo Inoue	2,268
Gigapalace Inc.	1,718
Morgan Stanley and Company International Ltd.	1,420
The Icom Foundation	1,000
The Master Trust Bank of Japan, Ltd.	746
Meiji Yasuda Life Insurance Company	543
The Chase Manhattan Bank, N. A. London	520
Japan Trustee Service Bank, Ltd.	274
UFJ Bank, Ltd.	243
Hiroshima Bank, Ltd.	240