



ANNUAL REPORT 2010

YEAR ENDED MARCH 31, 2010

ICOM INCORPORATED

Financial Highlights

ICOM INCORPORATED AND SUBSIDIARIES

Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Net sales	¥ 23,640	¥ 29,575	¥ 33,139	\$ 254,112
Operating income	431	2,785	4,817	4,633
Income before income taxes	711	1,532	4,628	7,643
Net income	230	998	2,912	2,472
Total assets	¥ 49,350	¥ 49,245	¥ 51,127	\$ 530,474

Amounts per share:

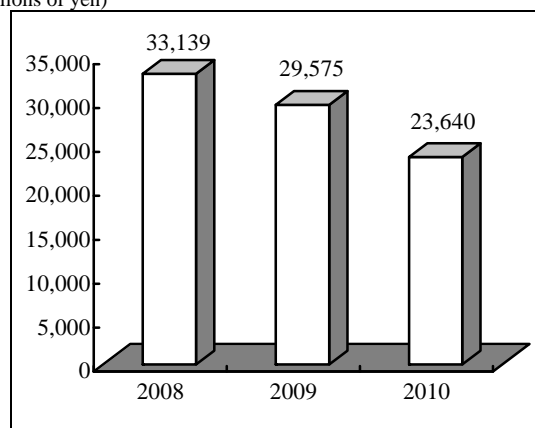
	Yen			U.S. dollars
	2010	2009	2008	2010
Net assets	¥ 3,094.79	¥ 3,086.49	¥ 3,102.92	\$ 33.27
Net income – basic	15.55	67.40	197.28	0.17
Net income – diluted	–	–	197.24	–
Cash dividends	20.00	40.00	40.00	0.21

Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥93.03 = U.S.\$1.00, the exchange rate prevailing on March 31, 2010.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

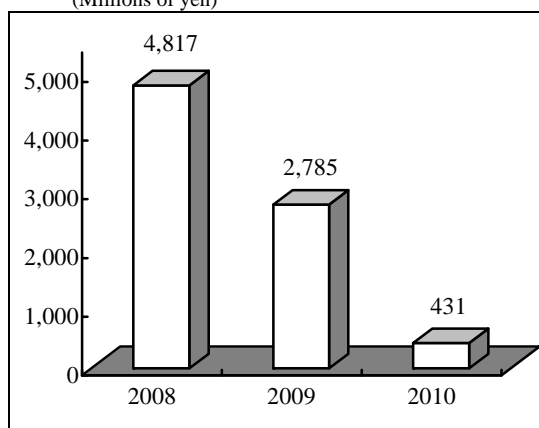
Net Sales

(Millions of yen)



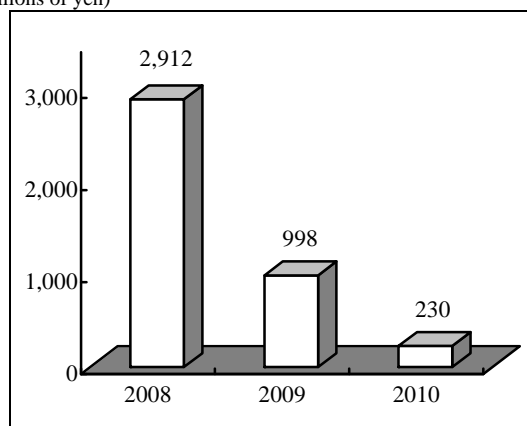
Operating Income

(Millions of yen)



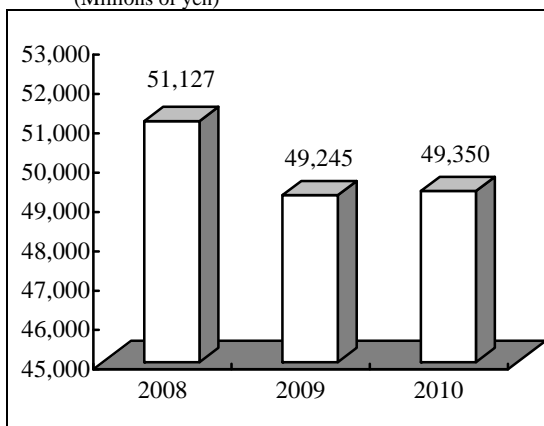
Net Income

(Millions of yen)



Total Assets

(Millions of yen)



Operating Highlights

BUSINESS SEGMENT INFORMATION

Years ended March 31, 2010 and 2009

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income (loss)		Net sales	Operating income (loss)
	2010	2009	2010	2009	2010	2010
Radio	¥ 22,351	¥ 27,715	¥ 498	¥ 2,873	\$ 240,256	\$ 5,353
Computer	1,289	1,860	(67)	(88)	13,856	(720)
Eliminations	—	—	—	—	—	—
Consolidated total	¥ 23,640	¥ 29,575	¥ 431	¥ 2,785	\$ 254,112	\$ 4,633

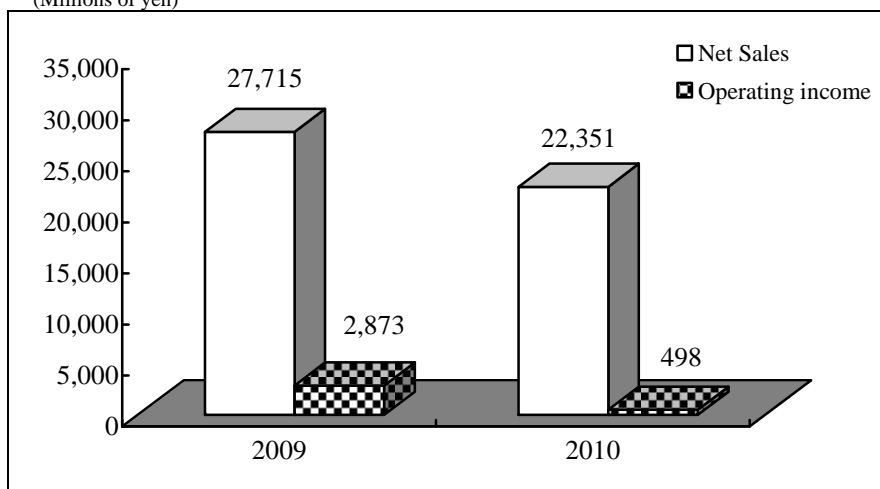
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥93.03 = U.S.\$1.00, the exchange rate prevailing on March 31, 2010.

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

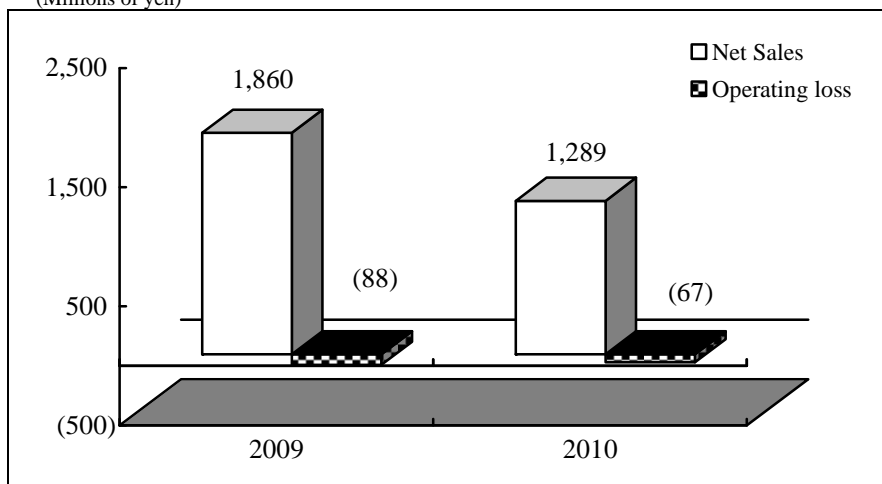
Radio

(Millions of yen)



Computer

(Millions of yen)



Operating Highlights

GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2010 and 2009

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income(loss)		Net sales	Operating income(loss)
	2010	2009	2010	2009	2010	2010
Japan	¥ 19,178	¥ 26,732	¥ (182)	¥ 2,020	\$ 206,149	\$ (1,956)
North America	7,843	10,177	176	378	84,306	1,892
Europe	1,219	1,761	14	122	13,104	151
Asia & Oceania	1,299	1,727	129	192	13,963	1,386
Eliminations	(5,899)	(10,822)	294	73	(63,410)	3,160
Consolidated total	¥ 23,640	¥ 29,575	¥ 431	¥ 2,785	\$ 254,112	\$ 4,633

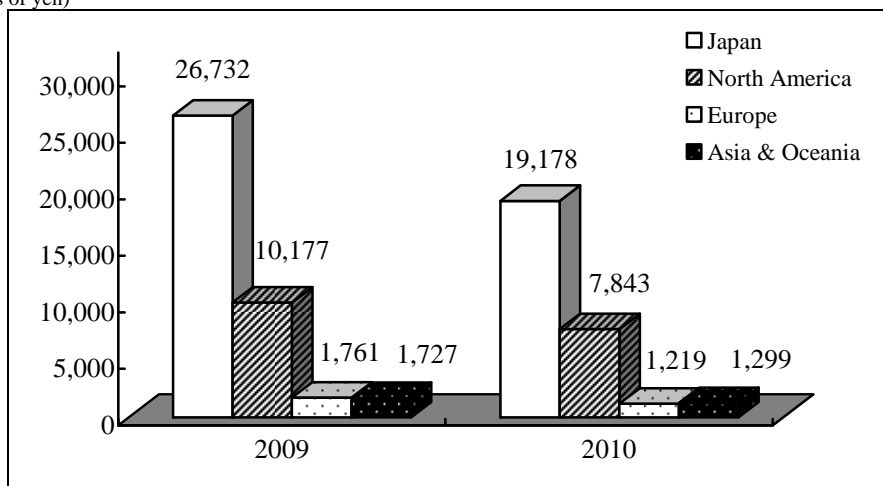
Notes:

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

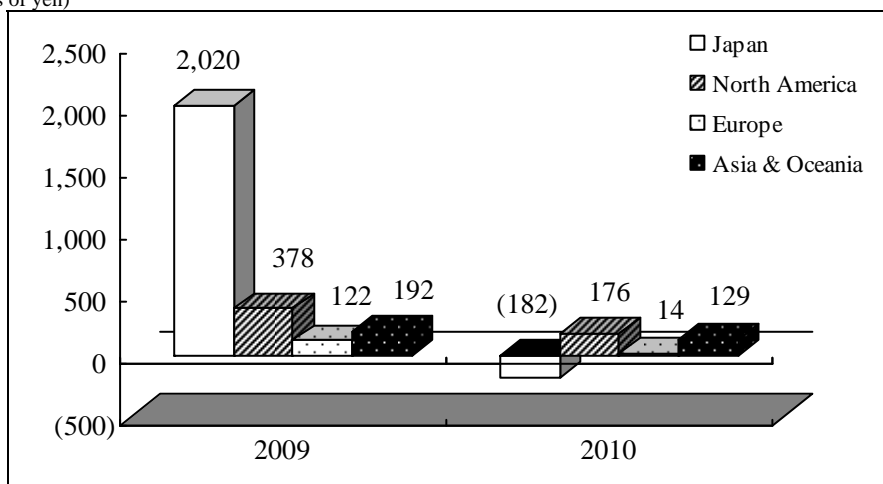
Net Sales

(Millions of yen)



Operating Income(loss)

(Millions of yen)



Operating Highlights

OVERSEAS SALES

Years ended March 31, 2010 and 2009

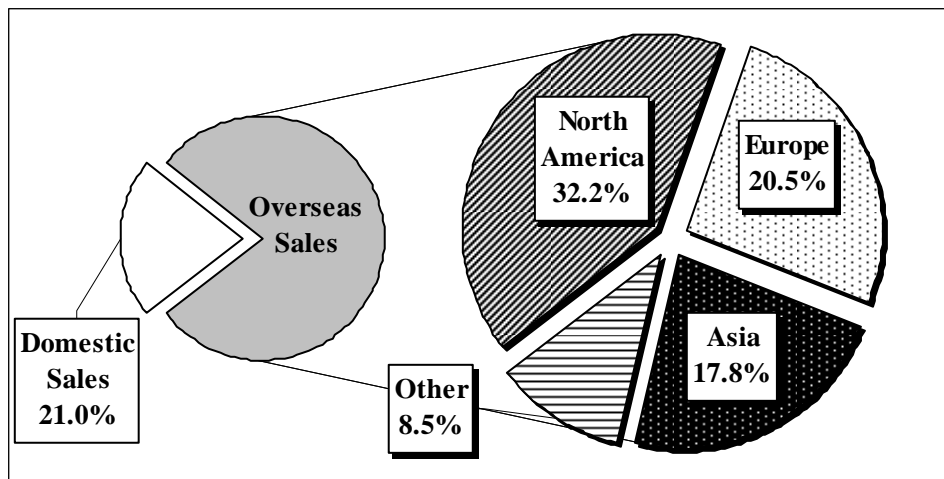
	Millions of yen				Thousands of U.S. dollars
	2010		2009		2010
North America	¥ 7,516	31.8%	¥ 9,524	32.2%	\$ 80,791
Europe	4,061	17.2	6,071	20.5	43,653
Asia	3,747	15.8	5,269	17.8	40,277
Other	1,837	7.8	2,488	8.5	19,746
Overseas total	17,161	72.6	23,352	79.0	184,467
Domestic total	6,479	27.4	6,223	21.0	69,645
Consolidated total	¥ 23,640	100.0%	¥ 29,575	100.0%	\$ 254,112

Notes:

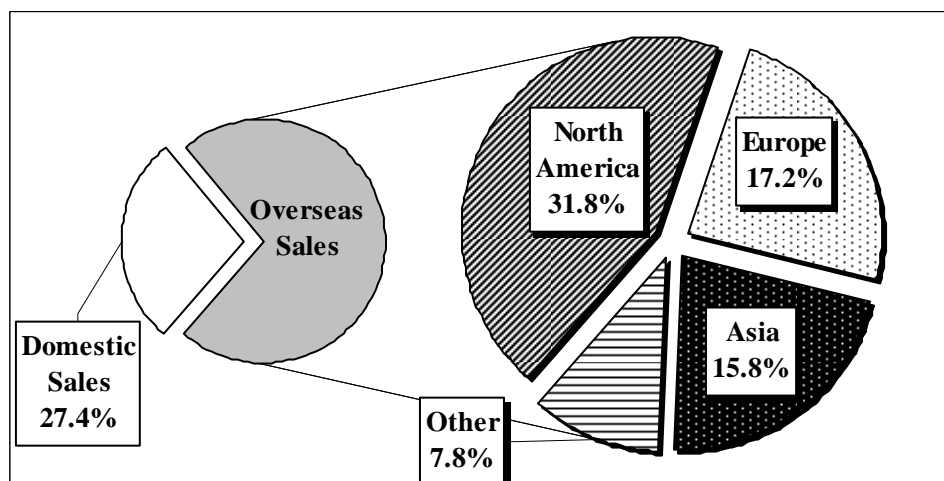
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥93.03 = U.S.\$1.00, the exchange rate prevailing on March 31, 2010.

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

Net Sales 2009



Net Sales 2010



ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars <i>(Note 1)</i>
Assets	2010	2009	2010
Current assets:			
Cash and deposits <i>(Notes 4, 5 and 11)</i>	¥ 26,251	¥ 23,478	\$ 282,178
Marketable securities <i>(Notes 4, 5 and 6)</i>	200	94	2,150
Notes and accounts receivable <i>(Note 5)</i>	4,208	3,684	45,233
Allowance for doubtful accounts	(36)	(58)	(387)
	4,172	3,626	44,846
Inventories <i>(Note 7)</i>	4,459	5,897	47,931
Deferred income taxes <i>(Note 9)</i>	242	569	2,601
Other current assets	1,286	1,448	13,823
Total current assets	36,610	35,112	393,529
 Property, plant and equipment:			
Land	3,841	3,828	41,288
Buildings and structures	6,031	4,965	64,828
Machinery and equipment	11,408	11,246	122,627
Vehicles and other	243	258	2,612
Construction in progress	8	1,277	86
Property, plant and equipment, at cost	21,531	21,574	231,441
Less accumulated depreciation	(13,927)	(13,112)	(149,704)
Property, plant and equipment, net	7,604	8,462	81,737
 Investments and other assets:			
Investments in securities <i>(Notes 5 and 6)</i>	1,687	1,833	18,134
Other investments	2,628	2,853	28,249
Deferred income taxes <i>(Note 9)</i>	619	740	6,654
Other assets	246	294	2,644
Allowance for doubtful accounts	(44)	(49)	(473)
Total investments and other assets	5,136	5,671	55,208
 Total assets <i>(Note 15)</i>	¥ 49,350	¥ 49,245	\$ 530,474

ICOM INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (<i>Note 1</i>)
	2010	2009	2010
Liabilities and net assets			
Current liabilities:			
Accounts payable – trade (<i>Note 5</i>)	¥ 1,204	¥ 1,007	\$ 12,942
Accounts payable – other (<i>Note 13</i>)	351	605	3,773
Accrued income taxes (<i>Note 9</i>)	10	65	(258)
Deferred income taxes (<i>Note 9</i>)	–	2	–
Accrued expenses	861	957	9,621
Warranty reserves	60	66	645
Other current liabilities	125	155	1,343
Total current liabilities	2,611	2,857	28,066
Long-term liabilities:			
Accrued retirement benefits for employees (<i>Note 8</i>)	277	32	2,978
Other long-term liabilities	601	617	6,460
Total long-term liabilities	878	649	9,438
Net assets:			
Shareholders' equity (<i>Note 10</i>):			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2010 and 2009	7,081	7,081	76,115
Capital surplus	10,449	10,449	112,319
Retained earnings (<i>Note 17</i>)	28,770	28,984	309,254
Less treasury stock, at cost:			
31,119 shares in 2010 and 30,839 shares in 2009	(102)	(101)	(1,096)
Total shareholders' equity	46,198	46,413	496,592
Valuation and translation adjustments:			
Unrealized holding gain (loss) on securities (<i>Note 6</i>)	25	(128)	269
Translation adjustments	(362)	(546)	(3,891)
Total valuation and translation adjustments	(337)	(674)	(3,622)
Total net assets	45,861	45,739	492,970
Total liabilities and net assets	¥ 49,350	¥ 49,245	\$ 530,474

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Income

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales (Note 15)	¥ 23,640	¥ 29,575	\$ 254,112
Cost of sales	14,942	17,436	160,615
Gross profit	8,698	12,139	93,497
 Selling, general and administrative expenses (Notes 12 and 13)	 8,267	 9,354	 88,864
Operating income (Note 15)	431	2,785	4,633
 Other income (expenses):			
Interest and dividend income	163	373	1,752
Gain on sales of securities, net (Note 6)	7	11	75
Loss on impairment of investments in securities (Note 6)	(1)	(961)	(11)
Foreign exchange gain (loss), net	157	(620)	1,688
Gain on sales of property, plant and equipment	0	1	0
Sales discounts	(171)	(243)	(1,838)
Other, net	125	186	1,344
	280	(1,253)	3,010
Income before income taxes	711	1,532	7,643
 Income taxes (Note 9):			
Current	142	806	1,527
Deferred	339	(272)	3,644
	481	534	5,171
Net income	¥ 230	¥ 998	\$ 2,472

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
**Consolidated Statements of
Changes in Net Assets**

Years ended March 31, 2010 and 2009

Millions of yen

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Translation adjustments	Total net assets
Balance at March 31, 2008	14,850,000	¥ 7,081	¥ 10,449	¥ 28,674	¥ (354)	¥ (261)	¥ 156	¥ 45,745
Net income for the year	-	-	-	998	-	-	-	998
Cash dividends	-	-	-	(592)	-	-	-	(592)
Purchases of treasury stock	-	-	-	-	(1)	-	-	(1)
Sales of treasury stock	-	-	-	(96)	254	-	-	158
Other changes	-	-	-	-	-	133	(702)	(569)
Balance at March 31, 2009	14,850,000	¥ 7,081	¥ 10,449	¥ 28,984	¥ (101)	¥ (128)	¥ (546)	¥ 45,739
Net income for the year	-	-	-	230	-	-	-	230
Cash dividends	-	-	-	(444)	-	-	-	(444)
Purchases of treasury stock	-	-	-	-	(1)	-	-	(1)
Other changes	-	-	-	-	-	153	184	337
Balance at March 31, 2010	14,850,000	¥ 7,081	¥ 10,449	¥ 28,770	¥ (102)	¥ 25	¥ (362)	¥ 45,861

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Translation adjustments	Total net assets
Balance at March 31, 2009	\$76,115	\$ 112,319	\$ 311,555	\$ (1,086)	\$ (1,376)	\$ (5,869)	\$ 491,658
Net income for the year	-	-	2,472	-	-	-	2,472
Cash dividends	-	-	(4,773)	-	-	-	(4,773)
Purchases of treasury stock	-	-	-	(10)	-	-	(10)
Other changes	-	-	-	-	1,645	1,978	3,623
Balance at March 31, 2010	\$76,115	\$ 112,319	\$ 309,254	\$ (1,096)	\$ 269	\$ (3,891)	\$ 492,970

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Operating activities:			
Income before income taxes	¥ 711	¥ 1,532	\$ 7,643
Adjustments for:			
Depreciation and amortization	1,362	1,650	14,640
Interest and dividend income	(163)	(373)	(1,752)
Foreign exchange (gain) loss, net	(61)	814	(656)
(Increase) decrease in notes and accounts receivable	(551)	573	(5,923)
Decrease (increase) in inventories	1,265	(1,442)	13,598
Increase (decrease) in accounts payable -trade	295	(548)	3,171
Other, net	362	915	3,891
Subtotal	<u>3,220</u>	<u>3,121</u>	<u>34,612</u>
Income taxes paid	(278)	(1,737)	(2,988)
Net cash provided by operating activities	<u>2,942</u>	<u>1,384</u>	<u>31,624</u>
Investing activities:			
Increase in time deposits with original maturities in excess of three months	(604)	(455)	(6,493)
Proceeds from sales of marketable securities	100	301	1,075
Purchases of property, plant and equipment	(619)	(2,253)	(6,654)
Purchases of other assets	(65)	(111)	(699)
Purchases of investments in securities	(314)	(1,232)	(3,375)
Proceeds from sales of investments in securities	604	561	6,493
Interest and dividend income received	157	372	1,688
Other, net	(5)	(167)	(54)
Net cash used in investing activities	<u>(746)</u>	<u>(2,984)</u>	<u>(8,019)</u>
Financing activities:			
Purchases of treasury stock	(1)	(1)	(10)
Proceeds from sales of treasury stock	-	159	-
Cash dividends paid	(444)	(592)	(4,773)
Net cash used in financing activities	<u>(445)</u>	<u>(434)</u>	<u>(4,783)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>36</u>	<u>(1,066)</u>	<u>387</u>
Net increase (decrease) in cash and cash equivalents	<u>1,787</u>	<u>(3,100)</u>	<u>19,209</u>
Cash and cash equivalents at beginning of year	<u>23,197</u>	<u>26,297</u>	<u>249,350</u>
Cash and cash equivalents at end of year (Note 4)	<u>¥ 24,984</u>	<u>¥ 23,197</u>	<u>\$ 268,559</u>

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2010

1. Basis of Preparation

The accompanying consolidated financial statements of ICOM INCORPORATED (the "Company") and its 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 have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act 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 format which is more familiar to readers outside Japan.

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

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at ¥93.03 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2010. 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) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized intercompany gains and losses among the Company and the subsidiaries have been entirely eliminated.

(b) Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

(c) Foreign currency translation

The balance sheet accounts of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. Adjustments resulting from translating accounts denominated in foreign currencies are not included in the determination of net income in the accompanying consolidated financial statements, but are reported as "Translation adjustments," a component of net assets.

Revenue and expense accounts are translated at the average rates of exchange in effect during the year.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. Gain or loss on each translation is credited or charged to income.

(d) Marketable securities and investments in securities

In general, securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Securities held by the Company and its subsidiaries including equity investments in affiliates are all classified as "other securities" and have been accounted for as outlined above.

(e) Inventories

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the moving average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market, cost being determined by the moving average method.

Effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No.9 issued on July 5, 2006). As a result of the adoption of this accounting standard, operating income decreased by ¥82 million and income before income taxes decreased by ¥5 million for the year ended March 31, 2009 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (except for leased assets)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on April 1, 1998 and thereafter. Small assets owned by the Company and its domestic subsidiaries, which are valued at ¥100 thousand or more and less than ¥200 thousand, are depreciated by the straight-line method over a three-year period.

In accordance with the 2008 revision of the Corporation Tax Law, effective the year ended March 31, 2009, the Company and its domestic subsidiaries had reviewed the estimated useful lives of certain tangible fixed assets and changed them.

The impact of this change on operating income and income before income taxes was immaterial.

(g) Software development costs (except for leased assets)

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, except if it is anticipated that this software will contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of 3 years or 5 years.

(h) Leased assets

Leased assets are depreciated by the straight-line method over respective lease periods with no residual value.

Previously, finance lease transactions not involving the transfer of ownership were accounted for in a manner similar to the accounting treatment for operating lease transactions. However, effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No.13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by ASBJ on March 30, 2007) and "Implementation Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by ASBJ on March 30, 2007). Such transactions are now accounted for as ordinary sale and purchase transactions.

The Company and its domestic subsidiaries continue to account for finance lease transactions not involving the transfer of ownership that were contracted prior to April 1, 2008 in a manner similar to the accounting treatment for ordinary operating lease transactions.

(i) Allowance for doubtful accounts

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

(j) Warranty reserves

Warranty reserves for certain overseas subsidiaries are calculated based on the historical ratio of the cost of repairs of the products against net sales.

(k) Accrued retirement benefits

Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss and prior service cost are amortized over a period of ten years commencing the year following the year in which the gain or loss is recognized by the straight-line method. The amortization period is shorter than the average estimated remaining years of service of the eligible employees.

The net retirement benefit obligation at transition of ¥592 million is being amortized principally over a period of fifteen years.

Prior service cost is being amortized by the straight-line method over ten years within the average remaining years of service at the time of occurrence.

Actuarial gain or loss is being amortized on a straight-line basis over ten years, which is within the average remaining years of service of employees, allocated proportionately starting from the year following the respective fiscal year of occurrence.

The Company and certain domestic subsidiaries had unfunded retirement benefit plans for directors and corporate auditors. The amounts required under the plans had been fully accrued in accordance with their internal regulations and were to be paid subject to approval at a shareholders' meeting. At the Company's general shareholders' meeting held on June 26, 2008, shareholders approved and resolved to abolish these retirement benefit plans for directors and corporate auditors and to pay retirement benefits for the applicable service period of each officer up to the date of the above shareholders' meeting at the time each officer subsequently retires. As a result, a retirement benefit obligation for certain officers of ¥511 million was included in "Other long-term liabilities" in the consolidated balance sheet as of March 31, 2009.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(k) Accrued retirement benefits (continued)

(Accounting Changes)

Effective the year ended March 31, 2010, the Company and its domestic subsidiaries have adopted “Partial Amendments to Accounting Standard for Retirement Benefits (Part3)” (ASBJ Statement No. 19 issued on July 31, 2008). The adoption of this standard had no effect on the consolidated operating results for the year ended March 31, 2010.

(l) Hedge accounting

Under the accounting standard for financial instruments, gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Derivatives such as forward foreign exchange contracts are utilized to manage foreign currency risk. Forward foreign exchange contracts which meet certain conditions are accounted for by a method under which foreign currency receivables or payables are translated at their corresponding forward foreign exchange contract rates.

(m) Distribution of retained earnings

Under the Corporation Law of Japan, and the Company’s Articles of Incorporation the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to interim financial period is made by resolution of the Board of Directors. (See Note 17.)

3. Changes in Method of Accounting Policies Applied to Overseas Subsidiaries

Effective the year ended March 31, 2009, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No.18, May 17, 2006), was adopted. The impact of this change on operating results for the year ended March 31, 2009 was immaterial.

4. Cash and Cash Equivalents

In the preparation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in the consolidated balance sheets at March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and deposits	¥ 26,251	¥ 23,478	\$ 282,178
Marketable securities	200	94	2,150
Subtotal	26,451	23,572	284,328
Time deposits with original maturities in excess of three months	(1,267)	(281)	(13,619)
Marketable securities with original maturities in excess of three months	(200)	(94)	(2,150)
Cash and cash equivalents	¥ 24,984	¥ 23,197	\$ 268,559

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Financial Instruments

Effective the year ended March 31, 2010, the Company and subsidiaries have adopted “Accounting Standard for Financial Instruments” (ASBJ Statement No.10 issued on March 10, 2008) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 issued on March 10, 2008).

(1) General information

i) Policy for financial instruments

In consideration of plans for capital investment which is mainly centered on radio manufacturing and sales, the Company and its subsidiaries (collectively, the “Group”) finance necessary funds through their own funds. The Group manages surplus funds through financial assets that have high levels of liquidity. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative trading purposes.

ii) Types of financial instruments and related risk

Notes and accounts receivable are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange rate fluctuation risk arising from receivables denominated in foreign currencies.

Marketable securities and investments in securities are exposed to market risk. Those securities are composed of mainly corporate bonds in other securities and the shares of common stock of other companies with which it has business relationships. Fair values of those securities are periodically reviewed and reported to board of directors meetings.

Trade accounts payable have payment due dates within two months. The Group is exposed to foreign currency exchange rate fluctuation risk arising from those denominated in foreign currencies.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange rate fluctuation risk arising from cash and deposits denominated in foreign currencies. Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in Note 11.

iii) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group arising from receivables, the credit department monitors credit worthiness of main customers periodically, and monitors due dates and outstanding balances by customer. In addition, the Group is making efforts to identify and mitigate risks of bad debt from customers who have financial difficulties.

In accordance with the internal policies for security management, the Group only acquires corporate bonds or other securities with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For cash and deposits denominated in foreign currencies arising from trade receivables denominated in foreign currencies, the Group identifies the foreign currency exchange risk by each currency and enters into forward foreign exchange contracts to hedge such risk.

For marketable securities and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities should be maintained taking into account their fair values and the relationships with the issuers.

For derivative transactions, the accounting department of the Company enters into and manages transactions, and a representative director, in advance, approves them within the limits reported at the Board of Directors meeting. Results of derivative transactions are reported at the monthly Board of Directors meetings. Subsidiaries do not enter into derivative transactions.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled due dates)

Based on reports from each division, the accounting department of the Company prepares and updates its cash flow plans on a timely basis to manage liquidity risk. Subsidiaries monitor liquidity risk in a same manner.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

iv) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 11 are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Estimated fair value of financial instruments

The carrying value, fair value and unrealized gains (losses) of the financial instruments on the consolidated balance sheet as of March 31, 2010 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note ii) below).

		Millions of yen		
		2010		
		Carrying value	Fair value	Unrealized gains (losses)
Assets				
(1) Cash and deposits	¥	26,251	¥ 26,251	¥ -
(2) Notes and accounts receivable		4,208	4,208	-
(3) Marketable securities and investments in securities		1,757	1,757	-
Total assets	¥	32,216	¥ 32,216	¥ -
Liabilities				
(1) Accounts payable - trade	¥	1,204	¥ 1,204	¥ -
Total liabilities	¥	1,204	¥ 1,204	¥ -
Derivative transactions (*)	¥	1	¥ 1	¥ -
		Thousands of U.S. dollars		
		2010		
		Carrying value	Fair value	Unrealized gains (losses)
Assets				
(1) Cash and deposits	\$	282,178	\$ 282,178	\$ -
(2) Notes and accounts receivable		45,233	45,233	-
(3) Marketable securities and investments in securities		18,886	18,886	-
Total assets	\$	346,297	\$ 346,297	\$ -
Liabilities				
(1) Accounts payable - trade	\$	12,942	\$ 12,942	\$ -
Total liabilities	\$	12,942	\$ 12,942	\$ -
Derivative transactions (*)	\$	11	\$ 11	\$ -

(*) The value of assets and liabilities arising from derivatives is shown at net value.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

(2) Estimated fair value of financial instruments (continued)

Notes:

i) Methods to determine the market value of financial instruments and other matters related to marketable securities and derivative transactions

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable

Since these items are settled in a short period of time, their carrying values approximate the fair value.

(3) Marketable securities and investments in securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets for these securities. For information on securities classified by purpose of holding, please refer to Note 6.

Liabilities

(1) Accounts payable - trade

Since these items are settled in a short period of time, their carrying values approximate the fair value.

Derivatives Transactions

Please refer to Note 11.

ii) Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Unlisted stocks	¥ 130	\$ 1,397

Since there is no market price for unlisted stocks and it is difficult to determine the fair value, they are not included in above (3) marketable securities and investments in securities in the preceding table "(2) Estimated fair value of financial instruments".

iii) The redemption schedule for other securities with maturity dates

The redemption schedule for financial instruments receivable and marketable securities and investments in securities with maturity dates is summarized as follows:

	Millions of yen			
	2010			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 26,251	¥ –	¥ –	¥ –
Notes and accounts receivable	4,208	–	–	–
Marketable securities and investments in securities:				
Other securities with maturing dates				
Corporate bonds	200	424	300	400
Other	–	–	–	–
Total	¥ 30,659	¥ 424	¥ 300	¥ 400

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

iii) The redemption schedule for other securities with maturity dates (continued)

	Thousands of U.S. dollars			
	2010			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 282,178	\$ -	\$ -	\$ -
Notes and accounts receivable	45,233	-	-	-
Marketable securities and investments in securities:				
Other securities with maturing dates				
Corporate bonds	2,150	4,558	3,225	4,300
Other	-	-	-	-
Total	\$ 329,561	\$ 4,558	\$ 3,225	\$ 4,300

(Additional information)

Effective the year ended March 31, 2010, the Company and subsidiaries have adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 issued on March 10, 2008) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 issued on March 10, 2008).

6. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen					
	2010			2009		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 330	¥ 410	¥ 80	¥ 148	¥ 170	¥ 22
Corporate bonds	317	323	6	-	-	-
Other	35	43	8	-	-	-
Subtotal	682	776	94	148	170	22
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	33	24	(9)	220	202	(18)
Corporate bonds	996	957	(39)	1,844	1,473	(371)
Other	-	-	-	35	33	(2)
Subtotal	1,029	981	(48)	2,099	1,708	(391)
Total	¥ 1,711	¥ 1,757	¥ 46	¥ 2,247	¥ 1,878	¥ (369)

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Marketable Securities and Investments in Securities (continued)

	Thousands of U.S. dollars		
	2010		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 3,547	\$ 4,407	\$ 860
Corporate bonds	3,408	3,472	64
Other	376	462	86
Subtotal	<u>7,331</u>	<u>8,341</u>	<u>1,010</u>
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	355	258	(97)
Corporate bonds	10,706	10,287	(419)
Other	-	-	-
Subtotal	<u>11,061</u>	<u>10,545</u>	<u>(516)</u>
Total	<u>\$ 18,392</u>	<u>\$ 18,886</u>	<u>\$ 494</u>

The Company recorded an impairment loss of ¥893 million on marketable equity securities and ¥68 million on other securities for the year ended March 31, 2009.

Sales of other securities for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Sales	¥ 494	¥ 349	\$ 5,310
Aggregate gain	7	11	75
Aggregate loss	0	0	0

The carrying value of investments in non-marketable securities at March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unlisted equity securities (except for equity securities traded on the over-the-counter market)	¥ 65	¥ 10	\$ 699
Total	<u>¥ 65</u>	<u>¥ 10</u>	<u>\$ 699</u>

7. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise and finished products	¥ 2,740	¥ 4,135	\$ 29,453
Work in process	87	65	935
Raw materials and supplies	1,632	1,697	17,543
Total	<u>¥ 4,459</u>	<u>¥ 5,897</u>	<u>\$ 47,931</u>

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Accrued Retirement Benefits for Employees

The Company and its domestic subsidiaries have employees' defined benefit pension plans, i.e., corporate pension plans, tax-qualified pension plans and lump-sum payment plans.

The Company and its domestic subsidiaries pay additional retirement benefits to employees under certain circumstances.

The funded and accrued status of the employees' defined benefit pension plans of the Company and its domestic subsidiaries and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Retirement benefit obligation at end of year	¥ (3,639)	¥ (3,517)	\$ (39,116)
Plan assets at fair value at end of year	2,340	2,001	25,153
Unfunded retirement benefit obligation	(1,299)	(1,516)	(13,963)
Unrecognized net retirement benefit obligation at transition	102	122	1,095
Unrecognized actuarial loss	931	1,392	10,008
Unrecognized prior service cost	(11)	(13)	(118)
Prepaid pension cost	-	(17)	-
Accrued retirement benefits for employees	¥ (277)	¥ (32)	\$ (2,978)

Certain domestic subsidiaries have applied simplified methods for calculating their retirement benefit obligation, which are permitted under the accounting standard for employees' retirement benefits.

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥ 193	¥ 196	\$ 2,075
Interest cost	66	64	709
Expected return on plan assets	(37)	(42)	(398)
Amortization of prior service cost	(2)	(2)	(21)
Amortization of retirement benefit obligation at transition	20	20	215
Amortization of actuarial loss	194	160	2,085
Retirement benefit expenses, net	¥ 434	¥ 396	\$ 4,665

Retirement benefit expenses of certain domestic subsidiaries, which have been calculated by simplified methods, are included in service cost in the above table.

The assumptions used in accounting for the above plans were a discount rate of 2.0% and an expected rate of return on plan assets of 2.0% for the years ended March 31, 2010 and 2009.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

9. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended March 31, 2010 and 2009. The overseas subsidiaries are subject to income taxes of the respective countries in which they operate.

Reconciliations of the statutory tax rate and effective tax rates for the years ended March 31, 2010 and 2009 as a percentage of income before income taxes are as follows:

	<u>2010</u>	<u>2009</u>
Statutory tax rate	40.6%	40.6%
Permanently non-deductible expenses	2.5	1.3
Per capita portion of inhabitant's taxes	2.9	1.3
Special tax credit for research and development costs	–	(3.8)
Unrealized profit on inventories	25.3	–
Differences in tax rates applicable to overseas subsidiaries	(4.4)	(4.5)
Other	0.7	0.0
Effective tax rates	67.6%	34.9%

The significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 are summarized as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>
Deferred tax assets:			
Unrealized gain on inventories	¥ –	¥ 319	\$ –
Net operating loss carryforward	263	–	2,827
Long-term accounts payable-other	207	208	2,225
Accrued bonuses	145	151	1,559
Accrued retirement benefits for employees	112	–	1,204
Deferred revenue	39	61	419
Devaluation of investments in securities	35	394	376
Allowance for doubtful accounts	30	40	322
Loss on devaluation of inventories	30	–	322
Unrealized holding loss on securities	–	82	–
Warranty reserves	–	21	–
Other	83	81	893
Total deferred tax assets	944	1,357	10,147
Deferred tax liabilities:			
Depreciation	(33)	(35)	(355)
Reserve for special depreciation	(19)	–	(204)
Other	(31)	(15)	(333)
Total deferred tax liabilities	(83)	(50)	(892)
Net deferred tax assets	¥ 861	¥ 1,307	\$ 9,255

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

10. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2010 and 2009 amounted to ¥293 million (\$3,150 thousand).

In addition, upon the issuance and sale of new shares of capital stock, the entire amount of the proceeds is required to be accounted for as capital stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

Movements in treasury stock for the years ended March 31, 2010 and 2009 are summarized as follows:

		Number of shares			
		2010			
		March 31, 2009	Increase	Decrease	March 31, 2010
Treasury stock		30,839	280	-	31,119

		Number of shares			
		2009			
		March 31, 2008	Increase	Decrease	March 31, 2009
Treasury stock		107,451	388	77,000	30,839

11. Derivatives and Hedging Activities

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting at March 31, 2010 is summarized as follows:

Currency-related transactions

		<i>Millions of yen</i>			
		2010			
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts				
	Selling:				
	USD	Deposits denominated in foreign currencies	¥ 557	¥ -	¥ (1)
	Total		¥ 557	¥ -	¥ (1)

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

11. Derivatives and Hedging Activities (continued)

			<i>Thousand of U.S. dollar</i>		
			2010		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts Selling: USD	Deposits denominated in foreign currencies	\$ 5,987	\$ –	\$ (11)
	Total		\$ 5,987	\$ –	\$ (11)

The fair values of forward foreign exchange contracts are calculated using the prices offered by the transacting financial institutions and others.

Disclosure of corresponding information on derivatives which qualify for deferral hedge accounting at March 31, 2009 is omitted.

12. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Research and development costs	¥ 2,763	¥ 3,022	\$ 29,700

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Related Party Transactions

Principal transactions between the Company and a related party for the years ended March 31, 2010 and 2009 were summarized as follows:

[Corporate Auditors]

Name	Description	Equity ownership percentage	Nature of transaction	Millions of yen		Thousands of U.S. dollars
				2010	2009	2010
Katsunori Sugimoto	The Company's corporate auditor and a patent attorney	0.01%	Payment of patent attorney's fee	¥ 14	¥ 17	\$ 150

Payment of patent attorney's fee were determined based on the same terms as third party transactions.

The balances due to a related party at March 31, 2010 and 2009 were as follows:

Account name	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	
Due to Katsunori Sugimoto	Accounts payable-other	¥ 2	¥ 2	\$ 21

(Additional information)

Effective the year ended March 31, 2009, the Company adopted a new accounting standard, "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11 issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 issued on October 17, 2006).

14. Amounts per Share

Amounts per share at March 31, 2010 and 2009 and for the years then ended were as follows:

	Yen		U.S. dollars
	2010	2009	2010
Net assets	¥ 3,094.79	¥ 3,086.49	\$ 33.27
Net income:			
Basic	15.55	67.40	0.17
Diluted	-	-	-
Cash dividends	20.00	40.00	0.21

Net assets per share is computed based on the number of shares of common stock outstanding at the year end.

Basic net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of stock acquisition rights.

Cash dividends per share represent the cash dividends declared as applicable to the respective fiscal years.

Diluted net income per share for the years ended March 31, 2010 and 2009 was not presented since the Company had no outstanding dilutive securities at March 31, 2010 and 2009.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

15. Segment Information

The Company and its subsidiaries are primarily engaged in the manufacture and sale of products in Japan and overseas in two major segments: radio and computer. The radio products are manufactured by the Company and Wakayama Icom Inc., a domestic subsidiary and are sold in Japan and overseas through the Company and its subsidiaries. The manufacturing in the computer segment is handled by the Company and Wakayama Icom Inc. and certain components and commercial products are supplied by Asia Icom Inc., a Taiwanese subsidiary. The market for products in the computer segment is mainly Japan and these products are sold by the Company and its domestic subsidiaries.

(1) Business Segments

The business segment information of the Company and its subsidiaries for the years ended March 31, 2010 and 2009 is summarized as follows:

	Millions of yen				
	2010				
	Radio	Computer	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)					
Sales to third parties	¥ 22,351	¥ 1,289	¥ 23,640	¥ –	¥ 23,640
Intersegment sales	–	–	–	–	–
Net sales	22,351	1,289	23,640	–	23,640
Operating expenses	21,853	1,356	23,209	–	23,209
Operating income (loss)	¥ 498	¥ (67)	¥ 431	¥ –	¥ 431
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 47,302	¥ 2,048	¥ 49,350	¥ –	¥ 49,350
Depreciation and amortization	1,313	49	1,362	–	1,362
Capital expenditures	434	15	449	–	449
	Millions of yen				
	2009				
	Radio	Computer	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)					
Sales to third parties	¥ 27,715	¥ 1,860	¥ 29,575	¥ –	¥ 29,575
Intersegment sales	–	–	–	–	–
Net sales	27,715	1,860	29,575	–	29,575
Operating expenses	24,842	1,948	26,790	–	26,790
Operating income (loss)	¥ 2,873	¥ (88)	¥ 2,785	¥ –	¥ 2,785
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 46,633	¥ 2,612	¥ 49,245	¥ –	¥ 49,245
Depreciation and amortization	1,565	85	1,650	–	1,650
Capital expenditures	2,402	96	2,498	–	2,498

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

15. Segment Information (continued)

(1) Business Segments (continued)

	Thousands of U.S. dollars				
	2010				
	Radio	Computer	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)					
Sales to third parties	\$ 240,256	\$ 13,856	\$ 254,112	\$ –	\$ 254,112
Intersegment sales	–	–	–	–	–
Net sales	<u>240,256</u>	<u>13,856</u>	<u>254,112</u>	<u>–</u>	<u>254,112</u>
Operating expenses	<u>234,903</u>	<u>14,576</u>	<u>249,479</u>	<u>–</u>	<u>249,479</u>
Operating income (loss)	<u>\$ 5,353</u>	<u>\$ (720)</u>	<u>\$ 4,633</u>	<u>\$ –</u>	<u>\$ 4,633</u>
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	\$ 508,460	\$ 22,014	\$ 530,474	\$ –	\$ 530,474
Depreciation and amortization	14,113	527	14,640	–	14,640
Capital expenditures	4,665	161	4,826	–	4,826

(Accounting Changes)

1. Accounting Standard for Retirement Benefits

As mentioned in Note 2(k), effective the year ended March 31, 2010, the Company and its domestic subsidiaries have adopted “Partial Amendments to Accounting Standard for Retirement Benefits (Part3)” (ASBJ Statement No. 19 issued on July 31, 2008). The adoption of this standard had no effect on the consolidated operating results for the year ended March 31, 2010.

2. Accounting Standard for Measurement of Inventories

As mentioned in Note 2(e), effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 issued on July 5, 2006). As a result, operating expenses in the radio and computer segments increased by ¥75 million and ¥7 million, respectively, and operating income decreased by the same amounts for the year ended March 31, 2009 as compared to the corresponding amounts which would have been recorded under the previous method.

3. Accounting Standard for Lease Transactions

As mentioned in Note 2(h), finance leases that did not transfer ownership to the lessee had been treated in a manner similar to operating leases.

However, effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No.13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by ASBJ on March 30, 2007) and “Implementation Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by ASBJ on March 30, 2007). Such transactions are now accounted for as ordinary sale and purchase transactions. The adoption of this standard had no effect on the consolidated operating results for the year ended March 31, 2009.

4. Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

As mentioned in Note 3, effective the year ended March 31, 2009, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006) was adopted. The impact of this change on the business segment information was immaterial.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

15. Segment Information (continued)

(1) Business Segments (continued)

(Additional information)

As mentioned in Note 2(f), in accordance with the 2008 revision of the Corporation Tax Law, effective the year ended March 31, 2009, the Company and its domestic subsidiaries had reviewed the estimated useful lives of certain tangible fixed assets and changed them. The impact of this change on the business segment information was immaterial.

(2) Geographical Segments

The geographical segment information of the Company and its subsidiaries for the years ended March 31, 2010 and 2009 is summarized as follows:

		Millions of yen						
		2010						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating (loss) income								
Sales to third parties	¥ 13,494	¥ 7,831	¥ 1,218	¥ 1,097	¥ 23,640	¥ –	¥ 23,640	
Intersegment sales	5,684	12	1	202	5,899	(5,899)	–	
Net sales	19,178	7,843	1,219	1,299	29,539	(5,899)	23,640	
Operating expenses	19,360	7,667	1,205	1,170	29,402	(6,193)	23,209	
Operating (loss) income	¥ (182)	¥ 176	¥ 14	¥ 129	¥ 137	¥ 294	¥ 431	
II. Total assets	¥ 43,518	¥ 5,154	¥ 857	¥ 2,141	¥ 51,670	¥ (2,320)	¥ 49,350	
		Millions of yen						
		2009						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating (loss) income								
Sales to third parties	¥ 16,344	¥ 10,162	¥ 1,761	¥ 1,308	¥ 29,575	¥ –	¥ 29,575	
Intersegment sales	10,388	15	0	419	10,822	(10,822)	–	
Net sales	26,732	10,177	1,761	1,727	40,397	(10,822)	29,575	
Operating expenses	24,712	9,799	1,639	1,535	37,685	(10,895)	26,790	
Operating income	¥ 2,020	¥ 378	¥ 122	¥ 192	¥ 2,712	¥ 73	¥ 2,785	
II. Total assets	¥ 43,696	¥ 5,671	¥ 933	¥ 1,602	¥ 51,902	¥ (2,657)	¥ 49,245	

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

15. Segment Information (continued)

2) Geographical Segments (continued)

	Thousands of U.S. dollars						
	2010						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating (loss) income							
Sales to third parties	\$ 145,050	\$ 84,177	\$ 13,093	\$ 11,792	\$ 254,112	\$ –	\$ 254,112
Intersegment sales	61,099	129	11	2,171	63,410	(63,410)	–
Net sales	206,149	84,306	13,104	13,963	317,522	(63,410)	254,112
Operating expenses	208,105	82,414	12,953	12,577	316,049	(66,570)	249,479
Operating (loss) income	\$ (1,956)	\$ 1,892	\$ 151	\$ 1,386	\$ 1,473	\$ 3,160	\$ 4,633
II. Total assets	\$ 467,785	\$ 55,401	\$ 9,212	\$ 23,014	\$ 555,412	\$ (24,938)	\$ 530,474

(Accounting Changes)

1. Accounting Standard for Retirement Benefits

As mentioned in Note 2(k), effective the year ended March 31, 2010, the Company and its domestic subsidiaries have adopted “Partial Amendments to Accounting Standard for Retirement Benefits (Part3)” (ASBJ Statement No. 19 issued on July 31, 2008). The adoption of this standard had no effect on the consolidated operating results for the year ended March 31, 2010.

2. Accounting Standard for Measurement of Inventories

As mentioned in Note 2(e), effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 issued on July 5, 2006). As a result, operating expenses in the Japan geographic segment increased by ¥82 million and operating income decreased by the same amount for the year ended March 31, 2009 as compared to the corresponding amount which would have been recorded under the previous method.

3. Accounting Standard for Lease Transactions

As mentioned in Note 2(h), finance leases that did not transfer ownership to the lessee had been treated in a manner similar to operating leases.

However, effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No.13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by ASBJ on March 30, 2007) and “Implementation Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by ASBJ on March 30, 2007). Such transactions are now accounted for as ordinary sale and purchase transactions. The adoption of this standard had no effect on the consolidated operating results for the year ended March 31, 2009.

4. Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

As mentioned in Note 3, effective the year ended March 31, 2009, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006), was adopted. The impact of this change on the geographical segment information was immaterial.

(Additional information)

As mentioned in Note 2(f), in accordance with the 2008 revision of the Corporation Tax Law, effective the year ended March 31, 2009, the Company and its domestic subsidiaries had reviewed the estimated useful lives of certain tangible fixed assets and changed them. The impact of this change on the geographical segment information was immaterial.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

15. Segment Information (continued)

(3) Overseas Sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the overseas subsidiaries, for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars
	2010		2009		2010
North America	¥ 7,516	31.8%	¥ 9,524	32.2%	\$ 80,791
Europe	4,061	17.2%	6,071	20.5%	43,653
Asia	3,747	15.8%	5,269	17.8%	40,277
Other	1,837	7.8%	2,488	8.5%	19,746
Sales to overseas customers	¥ 17,161	72.6%	¥ 23,352	79.0%	\$ 184,467
Consolidated net sales	¥ 23,640	100.0%	¥ 29,575	100.0%	\$ 254,112

16. Significant Subsidiaries and Affiliate

The Company's subsidiaries and a significant affiliate are presented as follows:

Name	Ownership Interest	Country of Incorporation	Subsidiaries/Affiliate
Icom America, Inc.	100.0%	United States of America	Consolidated subsidiary
Icom (Europe) GmbH	100.0%	Germany	Consolidated subsidiary
Icom (Australia) Pty., Ltd.	100.0%	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 accounted for by the equity method

17. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010, was approved at the Company's general shareholders' meeting held on June 25, 2010:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Cash dividends (¥10 = U.S.\$0.11 per share)	¥ 148	\$ 1,591

Report of Independent Auditors

The Board of Directors
ICOM INCORPORATED

We have audited the accompanying consolidated balance sheets of ICOM INCORPORATED and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, 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 subsidiaries at March 31, 2010 and 2009, 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 year ended March 31, 2010 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.

June 25, 2010

BOARD OF DIRECTORS AND AUDITORS

Tokuzo Inoue
Chairman and Representative Director

Tsutomu Fukui
President and Representative Director

Nobuo Ogawa
Executive Managing Director

Kiyoshi Sakurai
Director

Taichiro Itoyama
Director (part-time)

Toshihiro Wada
Auditor (full-time)

Hiroshi Umemoto
Auditor

Katsunori Sugimoto
Auditor

EXECUTIVE OFFICERS

Masataka Harima

Masanori Kamoto

Hiroshi Shimizu

Kikuji Okumura

Seishi Yamazaki

Hiroshi Nakaoka

Masakazu Kaneko

Takayuki Watanabe

Takashi Tsujiuchi

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 116th 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
Auf der Krautweide 24, 65812
Bad Soden am Taunus, GERMANY
Phone: 49-6196-76685-0
Fax: 49-6196-76685-50
URL <http://www.icomeurope.com/>

Icom (Australia) Pty., Ltd.
A.B.N. 88 006 092 575
Unit 1/103 Garden Road,
Clayton Victoria 3168, AUSTRALIA
Phone: 61-3-9549-7500
Fax: 61-3-9549-7505
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-Teh,
Road Taipei, TAIWAN R.O.C.
Phone: 886-2-2559-1899
Fax: 886-2-2559-1874

Wakayama Icom Inc.
1866-1, Oaza Tokuda, Aritagawa-chou
Arita-gun, Wakayama, 643-0801
JAPAN
Phone: 81-737-52-6600
Fax: 81-737-52-6603

Icom Information Products Inc.
3-8-15, Nipponbashi, Naniwa-ku,
Osaka, 556-0005, JAPAN
Phone: 81-6-6635-5701
Fax: 81-6-6635-5707
URL <http://www.icom-jk.co.jp/>

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

Affiliates:
Comforce Inc.
8F, 3-42-3, Nihonbashi Hamacho,
Chuo-ku, Tokyo, 103-0007, JAPAN
Phone: 81-3-3662-1167
Fax: 81-3-3662-1168
URL <http://www.comforce.co.jp/>

TRANSFER AGENT

Mitsubishi UFJ Trust and Banking
Corporation
Tokyo Office:
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8212, JAPAN
Osaka Office:
6-3, Fushimimachi 3-chome
Chuo-ku, Osaka, 541-0044, JAPAN

INVESTOR RELATIONS

Mr. Kenji Oono
Chief of Managing and Planning
Section, 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: July 1964
Employees: 623
Paid-in capital: ¥7,081 million
Authorized shares: 34,000,000
Issued and outstanding shares:
14,850,000
Shareholders: 3,722
Stock listing: Tokyo Stock Exchange
and Osaka Securities Exchange

Shareholders	Thousands of shares
Tokuzo Inoue	1,868
State Street Bank and Trust Company	1,757
Gigapalace Inc.	1,472
The Icom Foundation	1,000
Northern Trust Co. (AVFC) Sub A/C American Clients	580
State Street Bank and Trust Company	572
Kenwood Corporation	445
The Master Trust Bank of Japan, Ltd.	437
Japan Trustee Service Bank, Ltd.	363
Meiji Yasuda Life Insurance Company	343

Report of Independent Auditors

The Board of Directors
ICOM INCORPORATED

We have audited the accompanying consolidated balance sheets of ICOM INCORPORATED and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, 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.

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Ernst & Young ShinNihon LLC
June 25, 2010