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# **ANNUAL REPORT 2012**

**YEAR ENDED MARCH 31, 2012**

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**ICOM INCORPORATED**

# Financial Highlights

## ICOM INCORPORATED AND SUBSIDIARIES

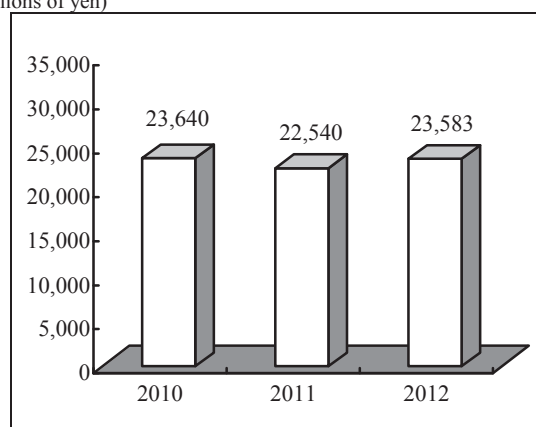
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Net sales	¥ 23,583	¥ 22,540	¥ 23,640	\$ 286,967
Operating income	1,307	731	431	15,904
Income before income taxes	1,510	782	711	18,374
Net income	1,096	436	230	13,337
<b>Total assets</b>	<b>¥ 51,213</b>	<b>¥ 49,807</b>	<b>¥ 49,350</b>	<b>\$ 623,181</b>
<b>Amounts per share:</b>				
		Yen		U.S. dollars
Net assets	¥ 3,128.22	¥ 3,081.33	¥ 3,094.79	\$ 38.07
Net income – basic	73.94	29.44	15.55	0.90
Net income – diluted	–	–	–	–
Cash dividends	20.00	20.00	20.00	0.24

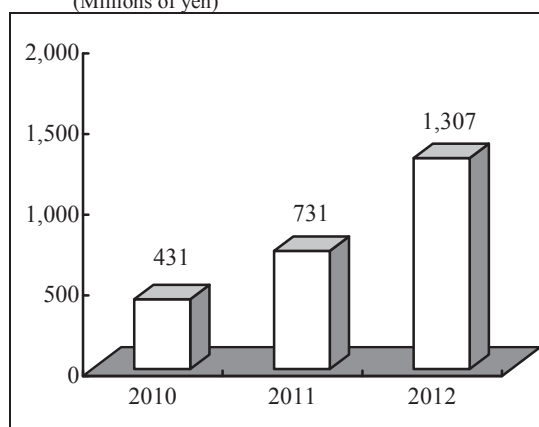
*Notes:*

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥82.18 = U.S.\$1.00, the exchange rate prevailing on March 31, 2012.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

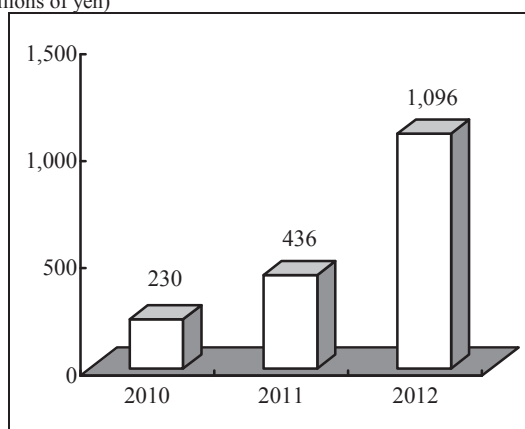
**Net Sales**  
(Millions of yen)



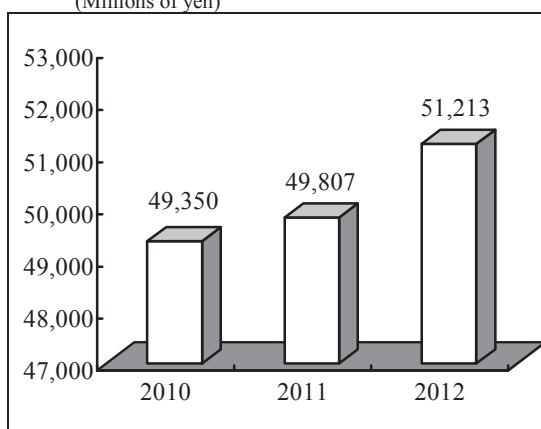
**Operating Income**  
(Millions of yen)



**Net Income**  
(Millions of yen)



**Total Assets**  
(Millions of yen)



# Operating Highlights

## GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2012 and 2011

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income (loss)		Net sales	Operating income
	2012	2011	2012	2011	2012	2012
Japan	¥ 20,626	¥ 19,827	¥ 848	¥ 536	\$ 250,985	\$ 10,319
North America	7,618	6,918	263	79	92,699	3,200
Europe	875	1,062	(16)	31	10,647	(195)
Asia & Oceania	1,585	1,541	164	147	19,287	1,996
Eliminations	(7,121)	(6,808)	48	(62)	(86,651)	584
Consolidated total	¥ 23,583	¥ 22,540	¥ 1,307	¥ 731	\$ 286,967	\$ 15,904

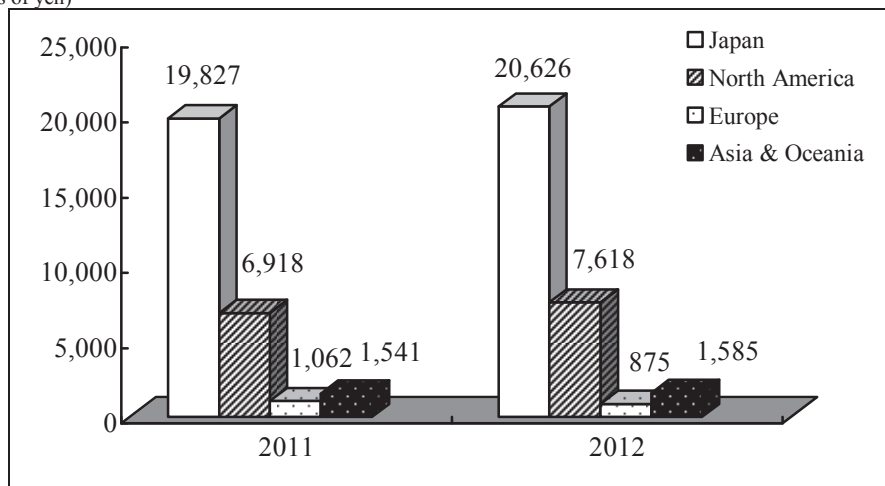
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥82.18= U.S.\$1.00, the exchange rate prevailing on March 31, 2012.

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

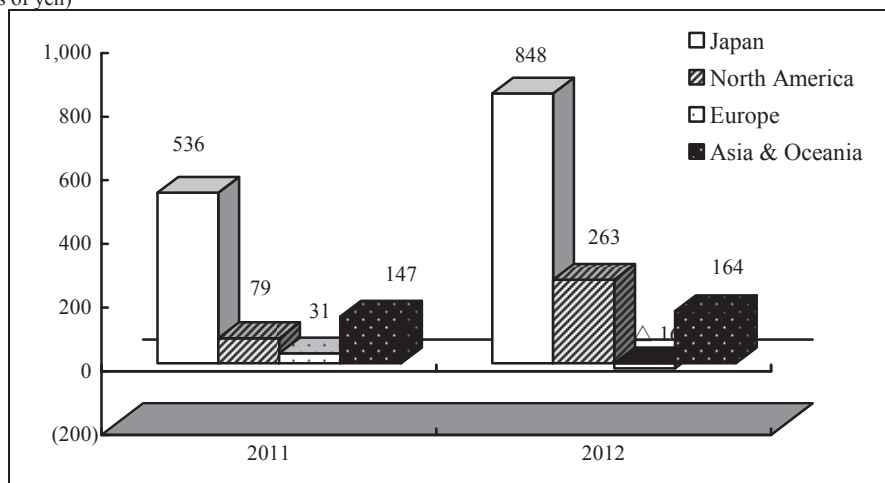
### Net Sales

(Millions of yen)



### Operating Income (Loss)

(Millions of yen)



# Operating Highlights

## OVERSEAS SALES

Years ended March 31, 2012 and 2011

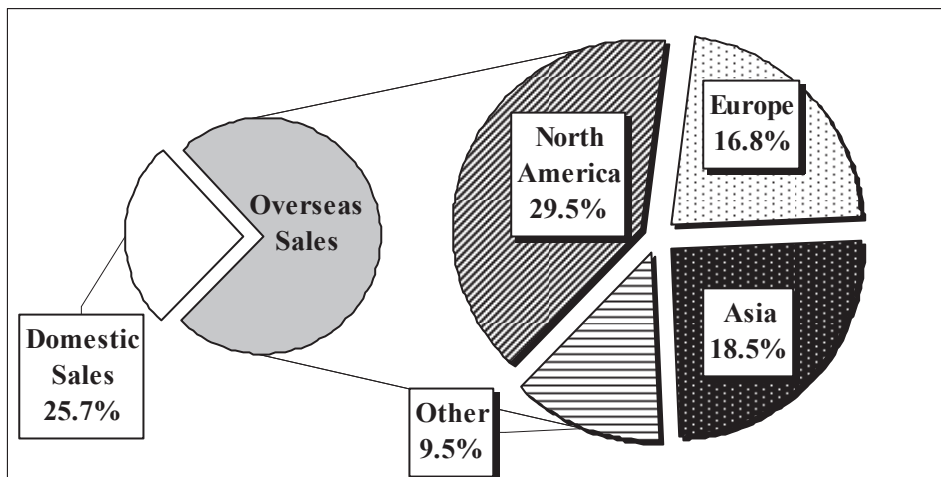
	Millions of yen				Thousands of U.S. dollars	
	2012 (Unaudited)		2011		2012 (Unaudited)	
North America	¥ 7,054	29.9%	¥ 6,648	29.5%	\$ 85,836	
Europe	3,364	14.3	3,789	16.8	40,935	
Asia	5,439	23.1	4,180	18.5	66,184	
Other	785	3.3	2,132	9.5	9,551	
Overseas total	16,642	70.6	16,749	74.3	202,506	
Domestic total	6,941	29.4	5,791	25.7	84,461	
Consolidated total	¥ 23,583	100.0%	¥ 22,540	100.0%	\$ 286,967	

Notes:

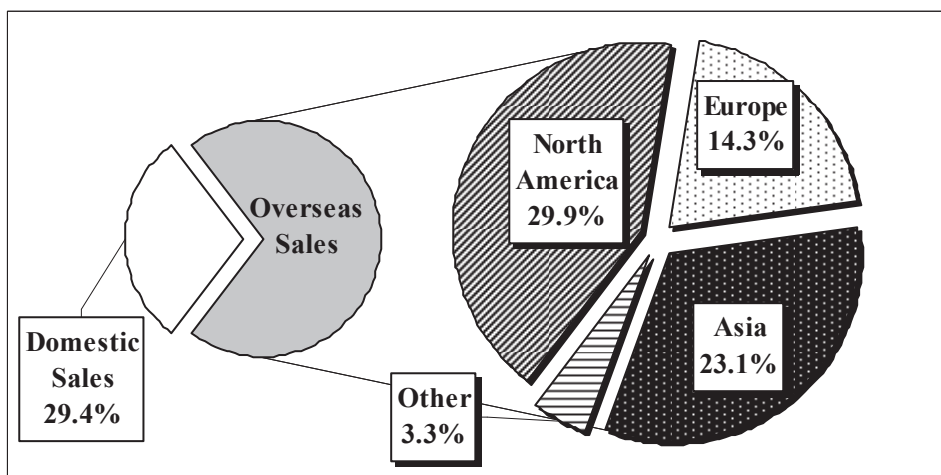
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥82.18 = U.S.\$1.00, the exchange rate prevailing on March 31, 2012.

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

### Net Sales 2011



### Net Sales 2012



ICOM INCORPORATED AND SUBSIDIARIES  
**Consolidated Balance Sheets**

March 31, 2012 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
<b>Assets</b>	<b>2012</b>	2011	<b>2012</b>
<b>Current assets:</b>			
Cash and deposits <i>(Notes 3 and 5)</i>	¥ 27,543	¥ 28,198	\$ 335,155
Marketable securities <i>(Notes 3, 5 and 6)</i>	199	214	2,421
Notes and accounts receivable <i>(Notes 4 and 5)</i>	4,805	3,778	58,469
Allowance for doubtful accounts	(18)	(14)	(219)
	4,787	3,764	58,250
Inventories <i>(Note 7)</i>	5,370	4,908	65,344
Deferred income taxes <i>(Note 9)</i>	456	257	5,549
Other current assets	1,055	966	12,838
Total current assets	39,410	38,307	479,557
 <b>Property, plant and equipment:</b>			
Land	3,831	3,834	46,617
Buildings and structures	5,988	5,977	72,864
Machinery and equipment	11,428	11,324	139,061
Vehicles and other	201	211	2,446
Construction in progress	13	18	158
Property, plant and equipment, at cost	21,461	21,364	261,146
Less accumulated depreciation	(14,436)	(14,224)	(175,663)
Property, plant and equipment, net <i>(Note 17)</i>	7,025	7,140	85,483
 <b>Investments and other assets:</b>			
Investments in securities <i>(Notes 5 and 6)</i>	1,381	1,019	16,805
Other investments	2,748	2,603	33,439
Deferred income taxes <i>(Note 9)</i>	500	499	6,084
Other assets	202	283	2,458
Allowance for doubtful accounts	(53)	(44)	(645)
Total investments and other assets	4,778	4,360	58,141
<b>Total assets <i>(Note 17)</i></b>	¥ 51,213	¥ 49,807	\$ 623,181

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES  
**Consolidated Balance Sheets**

March 31, 2012 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2012	2011	2012
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Accounts payable – trade <i>(Note 5)</i>	¥ 1,386	¥ 1,280	\$ 16,866
Accounts payable – other <i>(Note 15)</i>	584	396	7,107
Accrued income taxes <i>(Note 9)</i>	411	226	5,001
Accrued expenses	952	918	11,584
Warranty reserves	42	42	511
Other current liabilities	120	106	1,460
Total current liabilities	3,495	2,968	42,529
<b>Long-term liabilities:</b>			
Accrued retirement benefits for employees <i>(Note 8)</i>	740	563	9,005
Deferred income taxes <i>(Note 9)</i>	20	13	243
Other long-term liabilities	602	602	7,325
Total long-term liabilities	1,362	1,178	16,573
<b>Contingent liabilities</b> <i>(Note 11)</i>			
<b>Net assets:</b>			
Shareholders' equity <i>(Note 10):</i>			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2012 and 2011	7,081	7,081	86,165
Capital surplus	10,449	10,449	127,148
Retained earnings <i>(Note 19)</i>	29,709	28,910	361,511
Less treasury stock, at cost:			
31,470 shares in 2012 and 31,307 shares in 2011	(102)	(102)	(1,241)
Total shareholders' equity	47,137	46,338	573,583
Accumulated other comprehensive (loss) income			
<i>(Note 14):</i>			
Unrealized holding (loss) gain on securities <i>(Note 6)</i>	(21)	12	(256)
Translation adjustments	(760)	(689)	(9,248)
Total accumulated other comprehensive loss	(781)	(677)	(9,504)
Total net assets	46,356	45,661	564,079
<b>Total liabilities and net assets</b>	¥ 51,213	¥ 49,807	\$ 623,181

*See accompanying notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*

# Consolidated Statements of Income

Years ended March 31, 2012 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2012</b>	2011	<b>2012</b>
<b>Net sales (Note 17)</b>	<b>¥23,583</b>	¥22,540	<b>\$ 286,967</b>
<b>Cost of sales</b>	<b>14,383</b>	13,906	<b>175,018</b>
Gross profit	<b>9,200</b>	8,634	<b>111,949</b>
 <b>Selling, general and administrative expenses</b> <i>(Notes 13 and 15)</i>	 <b>7,893</b>	 7,903	 <b>96,045</b>
Operating income (Note 17)	<b>1,307</b>	731	<b>15,904</b>
 <b>Other income (expenses):</b>			
Interest and dividend income	232	215	2,823
Gain (loss) on sales of securities, net (Note 6)	0	(2)	0
Foreign exchange gain (loss), net	39	(119)	474
Gain on sales of property, plant and equipment	1	1	-
Sales discounts	(147)	(146)	(1,789)
Other, net	78	102	962
	<b>203</b>	51	<b>2,470</b>
Income before income taxes	<b>1,510</b>	782	<b>18,374</b>
 <b>Income taxes (Note 9):</b>			
Current	589	228	7,167
Deferred	(175)	118	(2,130)
	<b>414</b>	346	<b>5,037</b>
<b>Net income</b>	<b>¥ 1,096</b>	¥ 436	<b>\$ 13,337</b>

*See accompanying notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*

# Consolidated Statements of Comprehensive Income

Years ended March 31, 2012 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2012</b>	<b>2011</b>	<b>2012</b>
<b>Net income</b>	¥ 1,096	¥ 436	\$ 13,337
<b>Other comprehensive loss (Note 14):</b>			
Unrealized holding loss on securities	(33)	(13)	(402)
Translation adjustments	(71)	(326)	(864)
Total other comprehensive loss	(104)	(339)	(1,266)
<b>Comprehensive income</b>	¥ 992	¥ 97	\$ 12,071
 <b>Total comprehensive income attributable to:</b>			
Shareholders of ICOM INCORPORATED	¥ 992	¥ 97	\$ 12,071

*See accompanying notes to consolidated financial statements.*



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

Years ended March 31, 2012 and 2011

*Millions of yen*

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding (loss) gain on securities	Translation adjustments	Total net assets
Balance at April 1, 2010	14,850,000	¥7,081	¥ 10,449	¥ 28,770	¥ (102)	¥ 25	¥ (362)	¥ 45,861
Net income for the year	–	–	–	436	–	–	–	436
Cash dividends	–	–	–	(296)	–	–	–	(296)
Purchases of treasury stock	–	–	–	–	(0)	–	–	(0)
Other changes	–	–	–	–	–	(13)	(327)	(340)
Balance at April 1, 2011	14,850,000	¥7,081	¥ 10,449	¥ 28,910	¥ (102)	¥ 12	¥ (689)	¥ 45,661
Net income for the year	–	–	–	1,096	–	–	–	1,096
Cash dividends	–	–	–	(297)	–	–	–	(297)
Purchases of treasury stock	–	–	–	–	(0)	–	–	(0)
Sales of treasury stock	–	–	–	–	0	–	–	0
Other changes	–	–	–	–	–	(33)	(71)	(104)
Balance at March 31, 2012	14,850,000	¥7,081	¥ 10,449	¥ 29,709	¥ (102)	¥ (21)	¥ (760)	¥ 46,356

*Thousands of U.S. dollars (Note 1)*

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding (loss) gain on securities	Translation adjustments	Total net assets
Balance at April 1, 2011	\$86,165	\$ 127,148	\$ 351,789	\$ (1,241)	\$ 146	\$ (8,384)	\$ 555,623
Net income for the year	–	–	13,337	–	–	–	13,337
Cash dividends	–	–	(3,615)	–	–	–	(3,615)
Purchases of treasury stock	–	–	–	(0)	–	–	(0)
Sales of treasury stock	–	–	–	0	–	–	0
Other changes	–	–	–	–	(402)	(864)	(1,266)
Balance at March 31, 2012	\$86,165	\$ 127,148	\$ 361,511	\$ (1,241)	\$ (256)	\$ (9,248)	\$ 564,079

*See accompanying notes to consolidated financial statements.*

*ICOM INCORPORATED AND SUBSIDIARIES*

# Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2012</b>	2011	<b>2012</b>
<b>Operating activities:</b>			
Income before income taxes	¥ 1,510	¥ 782	\$ 18,374
Adjustments for:			
Depreciation and amortization	1,025	976	12,473
Interest and dividend income	(232)	(215)	(2,823)
Foreign exchange gain, net	(118)	(80)	(1,436)
(Increase) decrease in notes and accounts receivable	(1,091)	260	(13,276)
Increase in inventories	(483)	(630)	(5,877)
Increase in accounts payable – trade	127	260	1,545
Other, net	343	455	4,174
Subtotal	1,081	1,808	13,154
Income taxes (paid) refunded	(404)	225	(4,916)
<b>Net cash provided by operating activities</b>	<b>677</b>	<b>2,033</b>	<b>8,238</b>
<b>Investing activities:</b>			
Increase in time deposits with original maturities in excess of three months	(203)	(344)	(2,470)
Proceeds from sales of marketable securities	214	200	2,604
Purchases of property, plant and equipment	(760)	(417)	(9,248)
Purchases of other assets	(51)	(130)	(621)
Purchases of investments in securities	(817)	(46)	(9,942)
Proceeds from sales of investments in securities	214	476	2,604
Interest and dividend income received	227	214	2,762
Other, net	(127)	1	(1,544)
<b>Net cash used in investing activities</b>	<b>(1,303)</b>	<b>(46)</b>	<b>(15,855)</b>
<b>Financing activities:</b>			
Purchases of treasury stock	(0)	(0)	(0)
Sales of treasury stock	0	-	0
Cash dividends paid	(297)	(296)	(3,615)
<b>Net cash used in financing activities</b>	<b>(297)</b>	<b>(296)</b>	<b>(3,615)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>69</b>	<b>(129)</b>	<b>840</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(854)</b>	<b>1,562</b>	<b>(10,392)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>26,546</b>	<b>24,984</b>	<b>323,023</b>
<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>¥ 25,692</b>	<b>¥ 26,546</b>	<b>\$ 312,631</b>

See accompanying notes to consolidated financial statements.

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

March 31, 2012

## 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 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 ¥82.18 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2012. 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. A company over which the Company exercises significant influence in terms of their operating and financial policies has 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 an affiliate 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.

*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 principally 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.

### (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. Small assets owned by the Company and its domestic subsidiaries, which are valued at ¥100 thousand or more and less than ¥200 thousand, are amortized by the straight-line method over a three-year period.

### (h) Leased assets

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

The Company and its certain 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 in the year following the year in which the gain or loss is recognized by the straight-line method over ten years, which is within the average remaining years of service of employees.

### (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 periods is made by resolution of the Board of Directors. (See Note 19.)

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 2. Summary of Significant Accounting Policies (continued)

(Additional information)

Effective the year ended March 31, 2012, the Company and its domestic subsidiaries have adopted “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (“ASBJ”) Statement No.24 issued on December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 issued on December 4, 2009).

## 3. 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, 2012 and 2011 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2012</b>	2011	<b>2012</b>
Cash and deposits	¥ 27,543	¥ 28,198	\$ 335,155
Marketable securities	<b>199</b>	214	<b>2,421</b>
Subtotal	<b>27,742</b>	28,412	<b>337,576</b>
Time deposits with original maturities in excess of three months	<b>(1,851)</b>	(1,652)	<b>(22,524)</b>
Marketable securities with original maturities in excess of three months	<b>(199)</b>	(214)	<b>(2,421)</b>
Cash and cash equivalents	<b>¥ 25,692</b>	¥ 26,546	<b>\$ 312,631</b>

## 4. Notes Receivable

The balance sheet date for the year ended March 31, 2012 fell on a bank holiday. Consequently, notes receivable, trade of ¥4 million (\$49 thousand) with due dates on March 31, 2012 were included in the balance and settled on the next business day.

## 5. Financial Instruments

### (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”) obtain necessary financing 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 or trading purposes.

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 5. Financial Instruments (continued)

### (1) General information (continued)

#### 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 12.

#### 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 and maintains liquidity of assets for payment to manage liquidity risk. Subsidiaries monitor liquidity risk in the same manner.

#### 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 12 are not necessarily indicative of the actual market risk involved in derivative transactions.

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 5. Financial Instruments (continued)

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

The carrying value, fair value and unrealized gains (losses) of the financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011 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).

	<i>Millions of yen</i>					
	2012			2011		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
<b>Assets</b>						
(1) Cash and deposits	¥ 27,543	¥ 27,543	¥ -	¥ 28,198	¥ 28,198	¥ -
(2) Notes and accounts receivable	4,805	4,805	-	3,778	3,778	-
(3) Marketable securities and investments in securities	1,506	1,506	-	1,166	1,166	-
Total assets	<u>¥ 33,854</u>	<u>¥ 33,854</u>	<u>¥ -</u>	<u>¥ 33,142</u>	<u>¥ 33,142</u>	<u>¥ -</u>
<b>Liabilities</b>						
(1) Accounts payable - trade	¥ 1,386	¥ 1,386	¥ -	¥ 1,280	¥ 1,280	¥ -
Total liabilities	<u>¥ 1,386</u>	<u>¥ 1,386</u>	<u>¥ -</u>	<u>¥ 1,280</u>	<u>¥ 1,280</u>	<u>¥ -</u>
<b>Derivative transactions (*)</b>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ (0)</u>	<u>¥ (0)</u>	<u>¥ -</u>

	<i>Thousands of U.S. dollars</i>		
	2012		
	Carrying value	Fair value	Unrealized gain (loss)
<b>Assets</b>			
(1) Cash and deposits	\$ 335,155	\$ 335,155	\$ -
(2) Notes and accounts receivable	58,469	58,469	-
(3) Marketable securities and investments in securities	18,326	18,326	-
Total assets	<u>\$ 411,950</u>	<u>\$ 411,950</u>	<u>\$ -</u>
<b>Liabilities</b>			
(1) Accounts payable - trade	\$ 16,866	\$ 16,866	\$ -
Total liabilities	<u>\$ 16,866</u>	<u>\$ 16,866</u>	<u>\$ -</u>
<b>Derivative transactions (*)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(\*) 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 fair value of financial instruments and other matters related to marketable securities and derivative transactions are as follows:

Assets

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

Since these items are settled in a short period of time, their carrying value 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 holding purpose, please refer to Note 6.

Liabilities

- (1) Accounts payable - trade

Since this item is settled in a short period of time, its carrying value approximates the fair value.

Derivative Transactions

Please refer to Note 12.

- ii) Financial instruments for which it is extremely difficult to determine the fair value are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	<b>2012</b>	2011	<b>2012</b>	
Unlisted stocks	¥ 74	¥ 67	\$	<b>900</b>

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 in “(2) Estimated fair value of financial instruments.”



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# Notes to Consolidated Financial Statements

## 5. Financial Instruments (continued)

### (3) The redemption schedule

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

	<i>Millions of yen</i>							
	2012				2011			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	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	¥ 27,543	¥ –	¥ –	¥ –	¥ 28,198	¥ –	¥ –	¥ –
Notes and accounts receivable	4,805	–	–	–	3,778	–	–	–
Marketable securities and investments in securities:								
Other securities with maturity dates								
Corporate bonds	200	100	700	200	215	200	200	200
<b>Total</b>	<b>¥ 32,548</b>	<b>¥ 100</b>	<b>¥ 700</b>	<b>¥ 200</b>	<b>¥ 32,191</b>	<b>¥ 200</b>	<b>¥ 200</b>	<b>¥ 200</b>

	<i>Thousands of U.S. dollars</i>			
	2012			
	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	\$ 335,155	\$ –	\$ –	\$ –
Notes and accounts receivable	58,469	–	–	–
Marketable securities and investments in securities:				
Other securities with maturity dates				
Corporate bonds	2,433	1,217	8,518	2,434
<b>Total</b>	<b>\$ 396,057</b>	<b>\$ 1,217</b>	<b>\$ 8,518</b>	<b>\$ 2,434</b>

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 6. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at March 31, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>					
	<b>2012</b>			2011		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 214	¥ 194	¥ 20	¥ 357	¥ 330	¥ 27
Corporate bonds	401	400	1	615	610	5
Subtotal	<b>615</b>	<b>594</b>	<b>21</b>	<b>972</b>	<b>940</b>	<b>32</b>
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	99	137	(38)	1	1	(0)
Corporate bonds	792	803	(11)	193	200	(7)
Subtotal	<b>891</b>	<b>940</b>	<b>(49)</b>	<b>194</b>	<b>201</b>	<b>(7)</b>
Total	<b>¥ 1,506</b>	<b>¥ 1,534</b>	<b>¥ (28)</b>	<b>¥ 1,166</b>	<b>¥ 1,141</b>	<b>¥ 25</b>

	<i>Thousands of U.S. dollars</i>		
	<b>2012</b>		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 2,604	\$ 2,361	\$ 243
Corporate bonds	4,880	4,867	13
Subtotal	<b>7,484</b>	<b>7,228</b>	<b>256</b>
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	1,205	1,667	(462)
Corporate bonds	9,637	9,771	(134)
Subtotal	<b>10,842</b>	<b>11,438</b>	<b>(596)</b>
Total	<b>\$ 18,326</b>	<b>\$ 18,666</b>	<b>\$ (340)</b>

Sales of other securities for the years ended March 31, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2012</b>	2011	<b>2012</b>
	¥	¥	\$
Sales	14	176	170
Aggregate gain	0	10	0
Aggregate loss	-	(12)	-

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 7. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2012</b>	2011	<b>2012</b>
Merchandise and finished products	¥ 3,004	¥ 2,666	\$ 36,554
Work in process	62	74	754
Raw materials and supplies	2,304	2,168	28,036
Total	¥ 5,370	¥ 4,908	\$ 65,344

## 8. Accrued Retirement Benefits for Employees

The Company and its domestic subsidiaries have employees' defined benefit pension plans, i.e., corporate 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, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2012</b>	2011	<b>2012</b>
Retirement benefit obligation at end of year	¥ (3,691)	¥ (3,562)	\$ (44,914)
Plan assets at fair value at end of year	2,478	2,291	30,153
Unfunded retirement benefit obligation	(1,213)	(1,271)	(14,761)
Unrecognized net retirement benefit obligation at transition	59	79	718
Unrecognized actuarial loss	420	638	5,111
Unrecognized prior service cost	(6)	(9)	(73)
Accrued retirement benefits for employees	¥ (740)	¥ (563)	\$ (9,005)

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

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# Notes to Consolidated Financial Statements

## 8. Accrued Retirement Benefits for Employees (continued)

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2012	2011	<i>U.S. dollars</i>
Service cost	¥ 194	¥ 204	\$ 2,361
Interest cost	68	69	827
Expected return on plan assets	(46)	(44)	(560)
Amortization of prior service cost	(2)	(2)	(24)
Amortization of net retirement benefit obligation at transition	20	23	243
Amortization of actuarial loss	146	167	1,777
Retirement benefit expenses, net	¥ 380	¥ 417	\$ 4,624

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, 2012 and 2011.

*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, 2012 and 2011. 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, 2012 and 2011 as a percentage of income before income taxes are as follows:

	<u>2012</u>	<u>2011</u>
Statutory tax rate	40.6%	40.6%
Permanently non-deductible expenses	0.8	1.8
Per capita portion of inhabitant's taxes	1.4	2.7
Tax credit for research and development expenses	(5.0)	-
Unrealized (loss) gain on inventories	(13.2)	3.0
Differences in tax rates applicable to overseas subsidiaries	(2.4)	(4.0)
Effect of changes in corporate tax rates	5.4	-
Other	(0.1)	0.1
Effective tax rates	<u>27.5%</u>	<u>44.2%</u>

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2012</u>	<u>2011</u>	<u>2012</u>
Deferred tax assets:			
Accrued retirement benefits for employees	¥ 262	¥ 227	\$ 3,188
Unrealized gain on inventories	202	24	2,458
Long-term accounts payable-other	182	207	2,215
Accrued bonuses	148	149	1,801
Accrued enterprise tax	38	23	462
Deferred revenue	32	35	389
Allowance for doubtful accounts	24	21	292
Accrued legal welfare expense on bonuses	21	21	256
Net operating loss carryforward	-	38	-
Other	123	76	1,497
Total deferred tax assets	<u>1,032</u>	<u>821</u>	<u>12,558</u>
Deferred tax liabilities:			
Depreciation	(37)	(47)	(450)
Accrued interest	(12)	(8)	(146)
Reserve for special depreciation	(11)	(15)	(134)
Other	(36)	(8)	(438)
Total deferred tax liabilities	<u>(96)</u>	<u>(78)</u>	<u>(1,168)</u>
Net deferred tax assets	<u>¥ 936</u>	<u>¥ 743</u>	<u>\$ 11,390</u>

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# Notes to Consolidated Financial Statements

## 9. Income Taxes (continued)

Following the promulgation on December 2, 2011, of the “Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act No.114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No.117 of 2011), effective from fiscal years beginning on and after April 1, 2012, corporate tax rates will be reduced and a special temporary corporate income tax for restoration will be imposed. In line with these revisions, the effective statutory tax rate used to measure deferred tax assets and liabilities in the fiscal year under review has been changed from 40.6% used in the previous fiscal year to 38.0% for items expected to be eliminated from fiscal years beginning in the period from April 1, 2012, to March 31, 2015, and to 35.6% for items expected to be eliminated in fiscal years beginning on or after April 1, 2015.

As a result of this change, the net amount of deferred tax assets decreased by ¥82 million (\$998 thousand), income taxes-deferred increased by ¥80 million (\$973 thousand), and unrealized holding loss on securities increased by ¥1 million (\$12 thousand) as of and for the year ended March 31, 2012.

## 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, 2012 and 2011 amounted to ¥293 million (\$3,565 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, 2012 and 2011 are summarized as follows:

		Number of shares		
		2012		
	April 1, 2011	Increase	Decrease	March 31, 2012
Treasury stock	31,307	213	50	31,470

		Number of shares		
		2011		
	April 1, 2010	Increase	Decrease	March 31, 2011
Treasury stock	31,119	188	—	31,307

## 11. Contingent Liabilities

At March 31, 2012 and 2011, the Company and its subsidiaries were contingently liable as follows:

		<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
		2012	2011	2012
Notes discounted with a bank	¥	—	¥ 12	\$ —

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# Notes to Consolidated Financial Statements

## 12. Derivatives and Hedging Activities

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting at March 31, 2011 is summarized as follows:

Currency-related transactions

Method of hedge accounting	Transaction	Major hedged item	<i>Millions of yen</i>		
			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	¥ 831	¥ –	¥ (0)
	Total		<u>¥ 831</u>	<u>¥ –</u>	<u>¥ (0)</u>

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

There were no derivatives positions outstanding which qualify for deferral hedge accounting at March 31, 2012.

## 13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2012	2011	2012
Research and development costs	¥ 2,667	¥ 2,547	\$ 32,453

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# Notes to Consolidated Financial Statements

## 14. Other Comprehensive Loss

Reclassification adjustments and tax effects of other comprehensive loss for the year ended March 31, 2012 were as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
	<b>2012</b>	<b>2012</b>
Unrealized holding loss on securities:		
Loss arising during the year	¥ (52)	\$ (633)
Reclassification adjustments	(0)	(0)
Before tax effects	(52)	(633)
Tax effects	(19)	(231)
Unrealized holding loss on securities	(33)	(402)
Translation adjustments:		
Amount arising during the year	(71)	(864)
Other comprehensive loss	¥ (104)	\$ (1,266)

## 15. Related Party Transactions

Principal transactions between the Company and a related party for the year ended March 31, 2011 were summarized as follows:

[Corporate Auditor]

Name	Description	Equity ownership percentage	Nature of transaction	<u>Millions of yen</u> 2011
Katsunori Sugimoto	The Company's corporate auditor and a patent attorney	0.01%	Payment of patent attorney's fee	¥ 13

Payments of patent attorney's fees were determined based on the same terms as third-party transactions and recorded as a component of selling, general and administrative expenses.

The balance due to a related party at March 31, 2011 was as follows:

Account name	<u>Millions of yen</u> 2011
Due to Katsunori Sugimoto      Accounts payable-other	¥ 2

There were no related party transactions to be disclosed for the year ended March 31, 2012.

## 16. Amounts per Share

Amounts per share at March 31, 2012 and 2011 and for the years then ended were as follows:

	<u>Yen</u>		<u>U.S. dollars</u>
	<b>2012</b>	2011	<b>2012</b>
Net assets	¥ 3,128.22	¥ 3,081.33	\$ 38.07
Net income:			
Basic	73.94	29.44	0.90
Diluted	-	-	-
Cash dividends	20.00	20.00	0.24



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# Notes to Consolidated Financial Statements

## 16. Amounts per Share (continued)

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, 2012 and 2011 was not presented since no outstanding dilutive securities existed at March 31, 2012 and 2011.

## 17. Segment Information

### i) Outline of segment information

The Company's reporting segments are divisions of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors meeting of the Company (the highest management decision making body) in order to allocate management resources and assess performance of operations.

The Company and its subsidiaries are primarily engaged in the manufacture and sale of telecommunications equipment. The subsidiaries are independent business units and formulate comprehensive strategies for products and operate business regionally.

Therefore, the group consists of four segments based on sales by region. The four segments are "Japan," "North America," which primarily includes the United States and Canada; "Europe," which primarily includes Germany and Spain; and "Asia and Oceania," which primarily includes Australia and Taiwan.

### ii) Calculation methods used for sales, income or loss, assets and other items on each reporting segment

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices applied in transactions with third parties.

### iii) Information as to sales, income or loss, assets and other items on each reporting segment

Information by reporting segment for the year ended March 31, 2012 and 2011 are as follow:

	<i>Millions of yen</i>						
	<b>2012</b>						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income							
Sales to third parties	¥ 13,791	¥ 7,613	¥ 874	¥ 1,305	¥ 23,583	¥ –	¥ 23,583
Intersegment sales	6,835	5	1	280	7,121	(7,121)	–
Net sales	20,626	7,618	875	1,585	30,704	(7,121)	23,583
Operating expenses	19,778	7,355	891	1,421	29,445	(7,169)	22,276
Operating income (loss)	¥ 848	¥ 263	¥ (16)	¥ 164	¥ 1,259	¥ 48	¥ 1,307
II. Total assets	¥ 45,136	¥ 5,043	¥ 730	¥ 2,741	¥ 53,650	¥ (2,437)	¥ 51,213
III. Other items							
Depreciation and amortization	¥ 970	¥ 43	¥ 3	¥ 9	¥ 1,025	¥ –	¥ 1,025
Investments in affiliated company	64	–	–	–	64	–	64
Increase in tangible / intangible fixed assets	808	34	5	12	859	–	859

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 17. Segment Information (continued)

### iii) Information as to sales, profit or loss, assets and other items on each reporting segment (continued)

	Millions of yen						
	2011						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating (loss) income							
Sales to third parties	¥ 13,306	¥ 6,904	¥ 1,061	¥ 1,269	¥ 22,540	¥ –	¥ 22,540
Intersegment sales	6,521	14	1	272	6,808	(6,808)	–
Net sales	19,827	6,918	1,062	1,541	29,348	(6,808)	22,540
Operating expenses	19,291	6,839	1,031	1,394	28,555	(6,746)	21,809
Operating income	¥ 536	¥ 79	¥ 31	¥ 147	¥ 793	¥ (62)	¥ 731
II. Total assets	¥ 44,207	¥ 4,859	¥ 816	¥ 2,499	¥ 52,381	¥ (2,574)	¥ 49,807
III. Other Items							
Depreciation and amortization	¥ 912	¥ 52	¥ 2	¥ 10	¥ 976	¥ –	¥ 976
Investments in affiliated company	57	–	–	–	57	–	57
Increase in tangible / intangible fixed assets	555	39	1	2	597	–	597

	Thousands of U.S. dollars						
	2012						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income							
Sales to third parties	\$ 167,814	\$ 92,638	\$ 10,635	\$ 15,880	\$ 286,967	\$ –	\$ 286,967
Intersegment sales	83,171	61	12	3,407	86,651	(86,651)	–
Net sales	250,985	92,699	10,647	19,287	373,618	(86,651)	286,967
Operating expenses	240,666	89,499	10,842	17,291	358,298	(87,235)	271,063
Operating income (loss)	\$ 10,319	\$ 3,200	\$ (195)	\$ 1,996	\$ 15,320	\$ 584	\$ 15,904
II. Total assets	\$ 549,233	\$ 61,365	\$ 8,883	\$ 33,354	\$ 652,835	\$ (29,654)	\$ 623,181
III. Other items							
Depreciation and amortization	\$ 11,803	\$ 523	\$ 37	\$ 110	\$ 12,473	\$ –	\$ 12,473
Investments in affiliated company	779	–	–	–	779	–	779
Increase in tangible / intangible fixed assets	9,832	414	61	146	10,453	–	10,453

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 17. Segment Information (continued)

### iv) Regional information

#### (a) Sales

Sales categorized by country and region based on locations of customers within the Group for the year ended March 31, 2012 and 2011 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	2012	2011	2012	
Japan	¥ 6,941	¥ 5,791	\$ 84,461	
USA	6,017	5,810	73,217	
North America	1,037	838	12,619	
Europe	3,364	3,789	40,935	
Asia & Oceania	5,439	4,180	66,184	
Other	785	2,132	9,551	
Total	¥ 23,583	¥ 22,540	\$ 286,967	

#### (b) Property, plant and equipment

Property, plant and equipment categorized by country and region for the year ended March 31, 2012 and 2011 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	2012	2011	2012	
Japan	¥ 6,506	¥ 6,608	\$ 79,167	
North America	312	327	3,797	
Europe	9	7	110	
Asia & Oceania	198	198	2,409	
Total	¥ 7,025	¥ 7,140	\$ 85,483	

## 18. 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 CANADA HOLDINGS INC.	100.0%	Canada	Consolidated sub-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 sub-subsidiary
Comforce Inc.	49.0%	Japan	Affiliate accounted for by the equity method

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 19. 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, 2012, was approved at the Company's general shareholders' meeting held on June 27, 2012:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
	<u>2012</u>	<u>2012</u>
Cash dividends (¥10 = U.S.\$0.12 per share)	¥ 148	\$ 1,801

## Independent Auditor's Report

The Board of Directors  
ICOM INCORPORATED

We have audited the accompanying consolidated financial statements of ICOM INCORPORATED and its subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICOM INCORPORATED and its subsidiaries at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 27, 2012  
Osaka, Japan

## **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  
*Outside Director*

Toshihiro Wada  
*Auditor*

Hiroshi Umemoto  
*Outside Auditor*

Katsunori Sugimoto  
*Outside Auditor*

## **EXECUTIVE OFFICERS**

Masataka Harima

Hiroshi Shimizu

Hiroshi Nakaoka

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 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 Canada, Inc.**  
#150-6165  
Hwy, 17  
Delta, BC V4K 5B8  
Phone: 1-604-952-4266  
Fax: 1-604-952-0090  
URL <http://www.icomcanada.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 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.**

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**

(As of March 31, 2012)  
Established: July 1964  
Employees: 610  
Paid-in capital: ¥7,081 million  
Authorized shares: 34,000,000  
Issued and outstanding shares:  
14,850,000  
Shareholders: 4,548  
Stock listing: Tokyo Stock Exchange  
and Osaka Securities Exchange

(As of March 31, 2012)

Major shareholders	Thousands of shares
State Street Bank and Trust Company	2,412
Tokuzo Inoue	1,868
Gigapalace Inc.	1,472
The Icom Foundation	1,000
JPMorgan Chase & Co.	822
Japan Trustee Service Bank, Ltd.	513
JVC KENWOOD Corporation	445
The Master Trust Bank of Japan, Ltd.	337
Meiji Yasuda Life Insurance Company	326
Bank of Tokyo-Mitsubishi UFJ, Ltd.	243