



ANNUAL REPORT 2015

YEAR ENDED MARCH 31, 2015

ICOM INCORPORATED

Financial Highlights

ICOM INCORPORATED AND SUBSIDIARIES

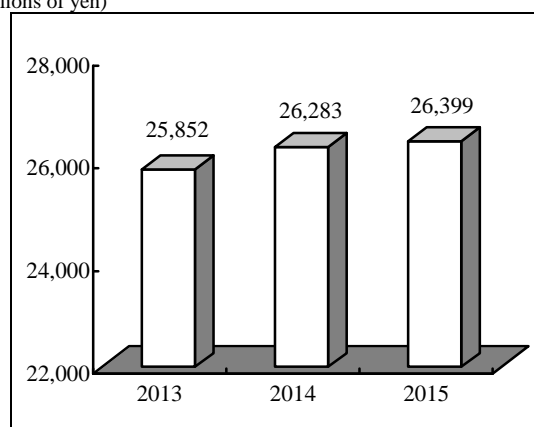
Years ended March 31, 2015, 2014 and 2013

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	2015	2014	2013	2015
Net sales	¥ 26,399	¥ 26,283	¥ 25,852	\$ 219,699
Operating income	2,501	2,205	2,178	20,814
Income before income taxes	2,992	3,369	3,211	24,901
Net income	2,115	2,238	2,228	17,602
Total assets	¥ 58,660	¥ 56,458	¥ 54,866	\$ 488,182
Amounts per share:	<i>Yen</i>			<i>U.S. dollars</i>
Net assets	¥ 3,637.17	¥ 3,468.01	¥ 3,313.79	\$ 30.27
Net income – basic	142.72	151.02	150.37	1.19
Net income – diluted	–	–	–	–
Cash dividends	35.00	30.00	30.00	0.29

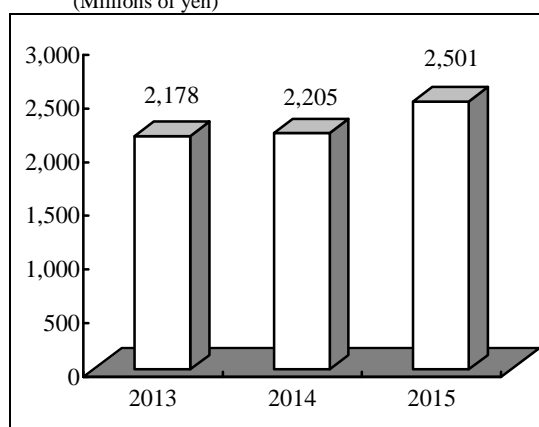
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥120.16 = U.S.\$1.00, the exchange rate prevailing on March 31, 2015.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

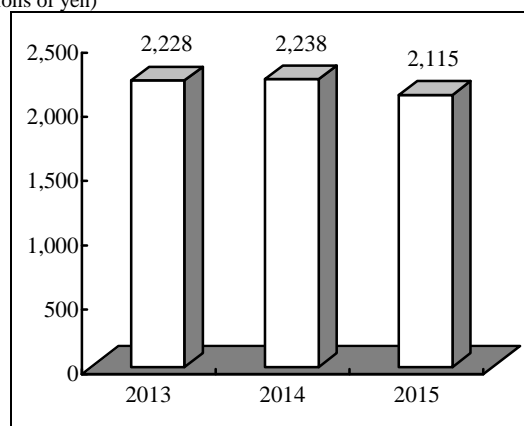
Net Sales
(Millions of yen)



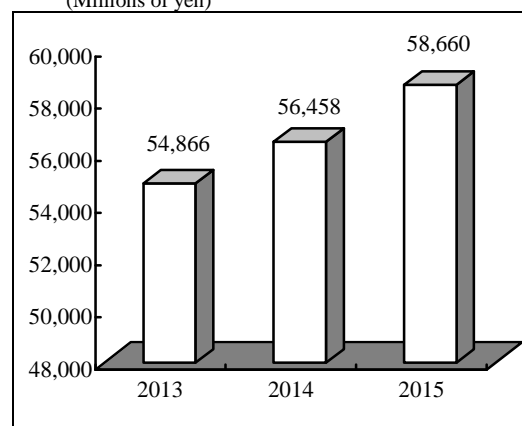
Operating Income
(Millions of yen)



Net Income
(Millions of yen)



Total Assets
(Millions of yen)



Operating Highlights

GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2015 and 2014

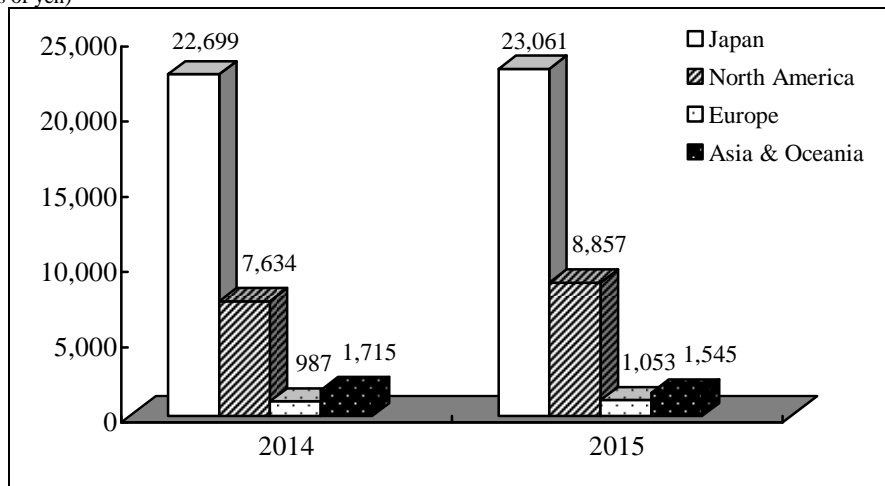
	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income (loss)		Net sales	Operating income (loss)
	2015	2014	2015	2014	2015	2015
Japan	¥ 23,061	¥ 22,699	¥ 2,627	¥ 2,191	\$ 191,919	\$ 21,862
North America	8,857	7,634	122	(69)	73,710	1,015
Europe	1,053	987	(33)	(54)	8,764	(274)
Asia & Oceania	1,545	1,715	26	126	12,858	217
Eliminations	(8,117)	(6,752)	(241)	11	(67,552)	(2,006)
Consolidated total	¥ 26,399	¥ 26,283	¥ 2,501	¥ 2,205	\$ 219,699	\$ 20,814

Notes:

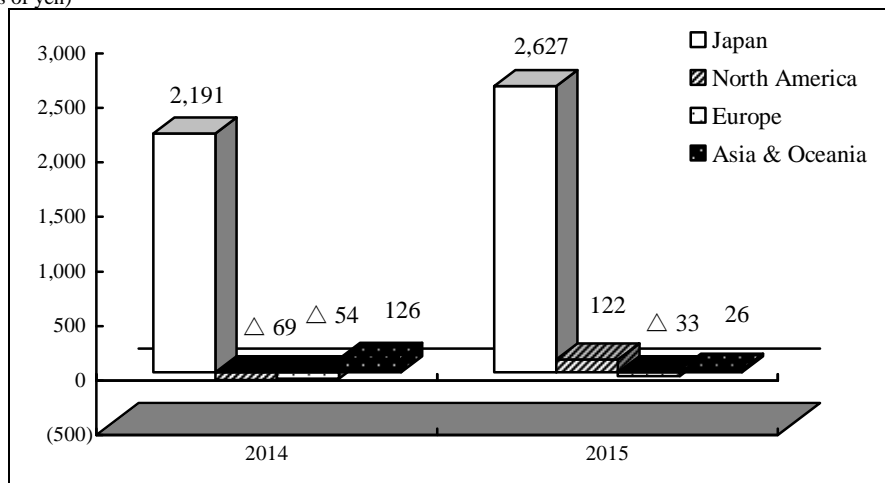
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥120.16 = U.S.\$1.00, the exchange rate prevailing on March 31, 2015.

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, 2015 and 2014

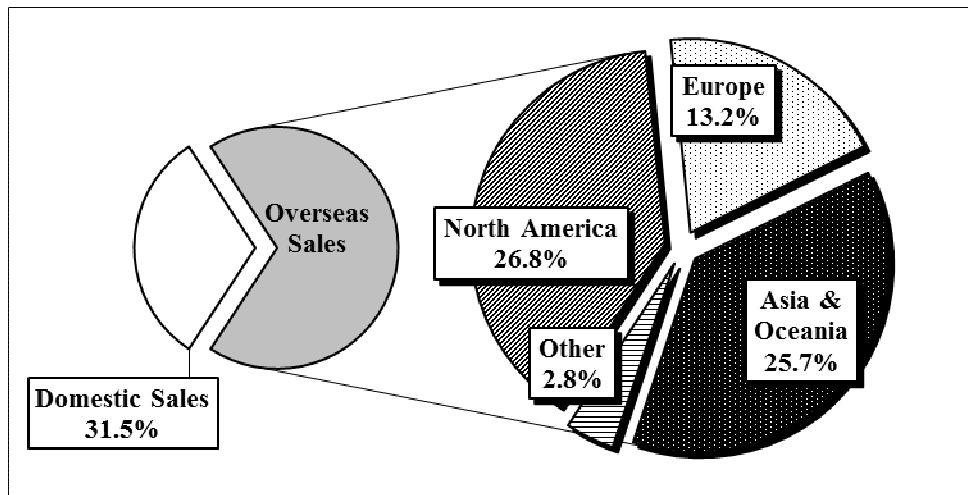
	Millions of yen				Thousands of U.S. dollars	
	2015 (Unaudited)		2014		2015 (Unaudited)	
North America	¥ 8,000	30.4%	¥ 7,029	26.8%	\$ 66,578	
Europe	3,748	14.2	3,477	13.2	31,192	
Asia & Oceania	5,316	20.1	6,768	25.7	44,241	
Other	982	3.7	732	2.8	8,172	
Overseas total	18,046	68.4	18,006	68.5	150,183	
Domestic total	8,353	31.6	8,277	31.5	69,516	
Consolidated total	¥ 26,399	100.0%	¥ 26,283	100.0%	\$ 219,699	

Notes:

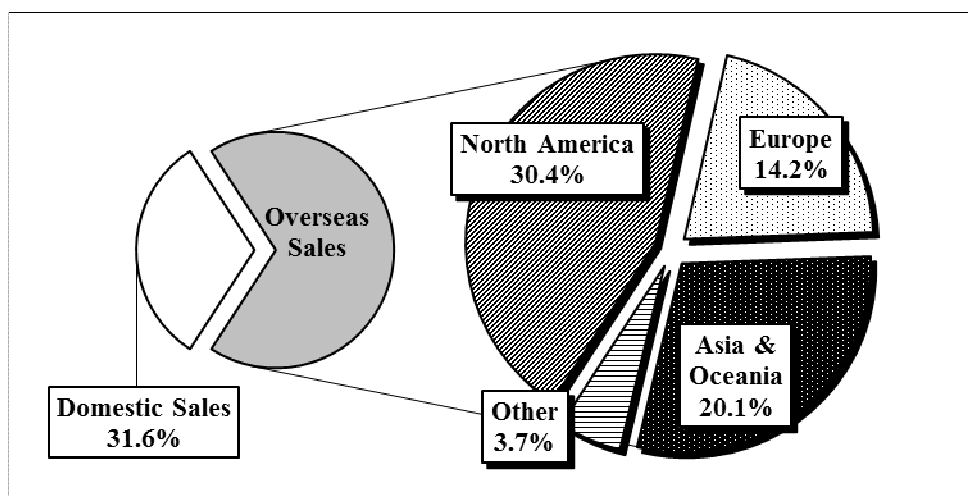
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥120.16 = U.S.\$1.00, the exchange rate prevailing on March 31, 2015.

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

Net Sales 2014



Net Sales 2015



ICOM INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheet

March 31, 2015

Assets	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2015	2014	2015
Current assets:			
Cash and deposits (<i>Notes 3 and 4</i>)	¥ 31,937	¥ 30,662	\$ 265,787
Marketable securities (<i>Notes 3, 4 and 5</i>)	100	–	832
Notes and accounts receivable (<i>Note 4</i>)	4,594	4,312	38,232
Allowance for doubtful accounts	(33)	(33)	(275)
	<u>4,561</u>	<u>4,279</u>	<u>37,957</u>
Inventories (<i>Note 6</i>)	6,545	5,986	54,469
Deferred income taxes (<i>Note 8</i>)	638	553	5,310
Other current assets	1,585	1,461	13,191
Total current assets	<u>45,366</u>	<u>42,941</u>	<u>377,546</u>
 Property, plant and equipment:			
Land	4,174	4,137	34,737
Buildings and structures	6,869	6,712	57,165
Machinery and equipment	12,320	11,773	102,530
Vehicles and other	215	232	1,789
Construction in progress	14	50	117
Property, plant and equipment, at cost	<u>23,592</u>	<u>22,904</u>	<u>196,338</u>
Less accumulated depreciation	(15,498)	(14,984)	(128,978)
Property, plant and equipment, net (<i>Note 13</i>)	<u>8,094</u>	<u>7,920</u>	<u>67,360</u>
 Investments and other assets:			
Investments in securities (<i>Notes 4 and 5</i>)	2,263	2,380	18,833
Other investments	2,692	2,760	22,404
Deferred income taxes (<i>Note 8</i>)	255	468	2,122
Other assets	52	64	433
Allowance for doubtful accounts	(62)	(75)	(516)
Total investments and other assets	<u>5,200</u>	<u>5,597</u>	<u>43,276</u>
Total assets (<i>Note 13</i>)	<u>¥ 58,660</u>	<u>¥ 56,458</u>	<u>\$ 488,182</u>

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheet

March 31, 2015

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Accounts payable – trade (Note 4)	¥ 1,178	¥ 1,188	\$ 9,804
Accounts payable – other	603	660	5,018
Accrued income taxes (Note 8)	513	424	4,269
Deferred income taxes (Note 8)	2	1	17
Accrued expenses	594	569	4,943
Warranty reserves	69	57	574
Other current liabilities	766	670	6,375
Total current liabilities	3,725	3,569	31,000
Long-term liabilities:			
Liability for retirement benefits (Note 7)	180	650	1,498
Deferred income taxes (Note 8)	233	192	1,939
Other long-term liabilities	626	657	5,210
Total long-term liabilities	1,039	1,499	8,647
Net assets:			
Shareholders' equity (Note 9):			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2015 and 2014	7,081	7,081	58,930
Capital surplus	10,449	10,449	86,959
Retained earnings (Note 15)	35,031	33,360	291,536
Less treasury stock, at cost:			
31,783 shares in 2015 and 31,607 shares in 2014	(103)	(103)	(857)
Total shareholders' equity	52,458	50,787	436,568
Accumulated other comprehensive income (Note 11):			
Net unrealized holding gain (loss) on securities (Note 5)	17	(34)	141
Translation adjustments	903	433	7,515
Retirement benefit liability adjustments	518	204	4,311
Total accumulated other comprehensive income	1,438	603	11,967
Total net assets	53,896	51,390	448,535
Total liabilities and net assets	¥ 58,660	¥ 56,458	\$ 488,182

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Income

Year ended March 31, 2015

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2015	2014	2015
Net sales (Note 13)	¥ 26,399	¥ 26,283	\$ 219,699
Cost of sales (Notes 6 and 13)	14,558	14,761	121,155
Gross profit	11,841	11,522	98,544
Selling, general and administrative expenses (Notes 10 and 13)	9,340	9,317	77,730
Operating income (Note 13)	2,501	2,205	20,814
Other income (expenses):			
Interest and dividend income	200	229	1,665
Gain on sales of securities, net (Note 5)	9	13	75
Foreign exchange gain, net	376	497	3,129
Gain on sales of property, plant and equipment	7	500	58
Sales discounts	(175)	(165)	(1,456)
Other, net	74	90	616
	491	1,164	4,087
Income before income taxes	2,992	3,369	24,901
Income taxes (Note 8):			
Current	894	929	7,440
Deferred	(17)	202	(141)
	877	1,131	7,299
Net income	¥ 2,115	¥ 2,238	\$ 17,602

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
**Consolidated Statement of
 Comprehensive Income**

Year ended March 31, 2015

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2015	2014	2015
Net income	¥ 2,115	¥ 2,238	\$ 17,602
Other comprehensive income (Note II):			
Net unrealized holding gain on securities	51	14	424
Translation adjustments	470	348	3,911
Retirement benefit liability adjustments	314	–	2,613
Total other comprehensive income	835	362	6,948
Comprehensive income	¥ 2,950	¥ 2,600	\$ 24,550
 Total comprehensive income attributable to:			
Shareholders of ICOM INCORPORATED	¥ 2,950	¥ 2,600	\$ 24,551

See accompanying Notes to consolidated financial statements.

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

Year ended March 31, 2015

Millions of yen

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain (loss) on securities	Translation adjustments	Retirement benefit liability adjustments	Total net assets
Balance at April 1, 2013	14,850,000	¥ 7,081	¥ 10,449	¥ 31,641	¥ (103)	¥ (48)	¥ 85	¥ -	¥ 49,105
Net income for the year	-	-	-	2,238	-	-	-	-	2,238
Cash dividends	-	-	-	(519)	-	-	-	-	(519)
Purchases of treasury stock	-	-	-	-	(0)	-	-	-	(0)
Other changes	-	-	-	-	-	14	348	204	566
Balance at April 1, 2014	14,850,000	¥ 7,081	¥ 10,449	¥ 33,360	¥ (103)	¥ (34)	¥ 433	¥ 204	¥ 51,390
Net income for the year	-	-	-	2,115	-	-	-	-	2,115
Cash dividends	-	-	-	(444)	-	-	-	-	(444)
Purchases of treasury stock	-	-	-	-	(0)	-	-	-	(0)
Other changes	-	-	-	-	-	51	470	314	835
Balance at March 31, 2015	14,850,000	¥ 7,081	¥ 10,449	¥ 35,031	¥ (103)	¥ 17	¥ 903	¥ 518	¥ 53,896

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain (loss) on securities	Translation adjustments	Retirement benefit liability adjustments	Total net assets
Balance at April 1, 2014	\$ 58,930	\$ 86,959	\$ 277,630	\$ (857)	\$ (283)	\$ 3,604	\$ 1,698	\$ 427,681
Net income for the year	-	-	17,602	-	-	-	-	17,602
Cash dividends	-	-	(3,696)	-	-	-	-	(3,696)
Purchases of treasury stock	-	-	-	(0)	-	-	-	(0)
Other changes	-	-	-	-	424	3,911	2,613	6,948
Balance at March 31, 2015	\$ 58,930	\$ 86,959	\$ 291,536	\$ (857)	\$ 141	\$ 7,515	\$ 4,311	\$ 448,535

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended March 31, 2015

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2015	2014	2015
Operating activities:			
Income before income taxes	¥ 2,992	¥ 3,369	\$ 24,901
Adjustments for:			
Depreciation and amortization	866	882	7,207
Interest and dividend income	(200)	(229)	(1,665)
Foreign exchange loss (gain), net	33	(74)	275
(Increase) decrease in notes and accounts receivable	(77)	2,738	(641)
(Increase) decrease in inventories	(271)	42	(2,255)
Decrease in accounts payable – trade	(246)	(10)	(2,047)
Other, net	(198)	(178)	(1,648)
Subtotal	<u>2,899</u>	<u>6,540</u>	<u>24,127</u>
Income taxes paid	(796)	(1,463)	(6,625)
Net cash provided by operating activities	<u>2,103</u>	<u>5,077</u>	<u>17,502</u>
Investing activities:			
Increase in time deposits with original maturities in excess of three months	(567)	(1,011)	(4,719)
Purchases of property, plant and equipment	(796)	(815)	(6,624)
Purchases of other assets	(33)	(16)	(275)
Purchases of investments in securities	(209)	(310)	(1,739)
Proceeds from sales of investments in securities	321	22	2,671
Interest and dividend income received	200	227	1,665
Other, net	(9)	746	(75)
Net cash used in investing activities	<u>(1,093)</u>	<u>(1,157)</u>	<u>(9,096)</u>
Financing activities:			
Purchases of treasury stock	(0)	(0)	(0)
Cash dividends paid	(444)	(519)	(3,696)
Net cash used in financing activities	<u>(444)</u>	<u>(519)</u>	<u>(3,696)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>224</u>	<u>241</u>	<u>1,864</u>
Net increase in cash and cash equivalents	<u>790</u>	<u>3,642</u>	<u>6,574</u>
Cash and cash equivalents at beginning of year	<u>27,420</u>	<u>23,778</u>	<u>228,196</u>
Cash and cash equivalents at end of year (Note 3)	<u>¥ 28,210</u>	<u>¥ 27,420</u>	<u>\$ 234,770</u>

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2015

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 have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan. Certain reclassifications of previously reported amounts have been made to confirm the consolidated financial statements for the year ended March 31, 2014 to the 2015 presentation. Such reclassifications had no effect on consolidated net income or net assets.

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 ¥120.16 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2015. 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. Two 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.

The financial statements of certain consolidated subsidiary whose fiscal year end is December 31 has been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

(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, which are not accounted for on an equity basis, are all classified as “other securities” and have been accounted for as outlined above.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(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.

(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.

(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) Liability for retirement benefits

Liability for retirement benefits is provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets. 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.

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

Prior service cost is being amortized by the straight-line method over ten years, which is within the average remaining years of service of eligible employees, 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 eligible employees.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(l) Hedge accounting

The Company utilizes derivative transactions in order to manage the risks arising from adverse fluctuation in foreign currency exchange rates. In accordance with internal management rules, the Company enters into forward foreign exchange contracts which fall within the Company's foreign currency holding limits. Derivative transactions are not entered into for speculative purposes.

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. Forward foreign exchange contracts which meet certain conditions are accounted for by a method under which the foreign currency receivables and payables are translated at their corresponding forward foreign exchange contract rates.

The evaluation of effectiveness of such forward foreign exchange contracts is omitted because significant terms of the hedging instruments and underlying hedged items are the same and the Company assumes that movements in cash flows are completely offset.

(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. (Please refer to Note 15.)

(Changes in Accounting Policies)

Accounting Standard for Retirement Benefits

Effective March 31, 2014, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26 issued on May 17, 2013) and "Guidance on Accounting Standards for Retirement Benefits" (ASBJ Guidance No.25 issued on May 17, 2013) based on the provisions in the main clause of paragraph No.35 of "Accounting Standard for Retirement Benefits" and the main clause of paragraph No.67 of "Guidance on Accounting Standard for Retirement Benefits". The methods for calculating the retirement benefit and service cost have been revised accordingly.

The adoption of these standards had no effect on the liability for retirement benefits and retained earnings at April 1, 2014 or on income before income taxes for the year ended March 31, 2015.

(Standards Issued but Not Yet Effective)

Accounting Standard for Business Combinations

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10) and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4).

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests", and accounting treatment for adjustments to provisional amounts was also changed.

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016. In addition, the determination of provisional accounting treatments will be adopted for business combinations conducted on or after the beginning of the fiscal year ending March 31, 2016.

At present, the Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2015 and 2014 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2015</u>	2014	<u>2015</u>
Cash and deposits	¥ 31,937	¥ 30,662	\$ 265,787
Marketable securities	100	–	832
Subtotal	¥ 32,037	¥ 30,662	\$ 266,619
Time deposits with original maturities in excess of three months	(3,727)	(3,242)	(31,017)
Marketable securities with original maturities in excess of three months	(100)	–	(832)
Cash and cash equivalents	<u>¥ 28,210</u>	<u>¥ 27,420</u>	<u>\$ 234,770</u>

4. 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 Group obtains necessary financing through its 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.

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 “(1) Hedge accounting” in Note 2 “Summary of Significant Accounting Policies”.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(1) General information (continued)

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.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(2) Estimated fair value of financial instruments

The carrying value, fair value and unrealized gain (loss) of the financial instruments on the consolidated balance sheets at March 31, 2015 and 2014 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>					
		2015			2014		
		Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Assets							
(1)	Cash and deposits	¥ 31,937	¥ 31,937	¥ -	¥ 30,662	¥ 30,662	¥ -
(2)	Notes and accounts receivable	4,594	4,594	-	4,312	4,312	-
(3)	Marketable securities and investments in securities	2,159	2,159	-	2,181	2,181	-
	Total assets	¥ 38,690	¥ 38,690	¥ -	¥ 37,155	¥ 37,155	¥ -
Liabilities							
(1)	Accounts payable - trade	¥ 1,178	¥ 1,178	¥ -	¥ 1,188	¥ 1,188	¥ -
	Total liabilities	¥ 1,178	¥ 1,178	¥ -	¥ 1,188	¥ 1,188	¥ -

		<i>Thousands of U.S. dollars</i>		
		2015		
		Carrying value	Fair value	Unrealized gain (loss)
Assets				
(1)	Cash and deposits	\$ 265,787	\$ 265,787	\$ -
(2)	Notes and accounts receivable	38,232	38,232	-
(3)	Marketable securities and investments in securities	17,968	17,968	-
	Total assets	\$ 321,987	\$ 321,987	\$ -
Liabilities				
(1)	Accounts payable - trade	\$ 9,804	\$ 9,804	\$ -
	Total liabilities	\$ 9,804	\$ 9,804	\$ -

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. 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 5.

Liabilities

- (1) Accounts payable - trade

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

- 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>
	2015	2014	2015
Unlisted equity securities	¥ 204	¥ 199	\$ 1,697

Since there is no market price for unlisted equity securities 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.”

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(3) Redemption schedule

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

Millions of yen

	2015				2014			
	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	¥ 31,937	¥ –	¥ –	¥ –	¥ 30,662	¥ –	¥ –	¥ –
Notes and accounts receivable	4,594	–	–	–	4,312	–	–	–
Marketable securities and investments in securities:								
Other securities with maturity dates								
Corporate bonds	100	700	900	100	–	800	900	200
Other	–	100	–	–	–	100	–	–
Total	¥ 36,631	¥ 800	¥ 900	¥ 100	¥ 34,974	¥ 900	¥ 900	¥ 200

Thousands of U.S. dollars

	2015			
	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	\$ 265,787	\$ –	\$ –	\$ –
Notes and accounts receivable	38,232	–	–	–
Marketable securities and investments in securities:				
Other securities with maturity dates				
Corporate bonds	832	5,826	7,490	832
Other	–	832	–	–
Total	\$ 304,851	\$ 6,658	\$ 7,490	\$ 832

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at March 31, 2015 and 2014 are summarized as follows:

	<i>Millions of yen</i>					
	<u>2015</u>			<u>2014</u>		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 230	¥ 193	¥ 37	¥ 48	¥ 11	¥ 37
Corporate bonds	1,720	1,700	20	1,722	1,700	22
Subtotal	<u>1,950</u>	<u>1,893</u>	<u>57</u>	<u>1,770</u>	<u>1,711</u>	<u>59</u>
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	108	136	(28)	209	319	(110)
Corporate bonds	101	102	(1)	202	202	(0)
Subtotal	<u>209</u>	<u>238</u>	<u>(29)</u>	<u>411</u>	<u>521</u>	<u>(110)</u>
Total	<u>¥ 2,159</u>	<u>¥ 2,131</u>	<u>¥ 28</u>	<u>¥ 2,181</u>	<u>¥ 2,232</u>	<u>¥ (51)</u>

	<i>Thousands of U.S. dollars</i>		
	<u>2015</u>		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 1,914	\$ 1,606	\$ 308
Corporate bonds	14,314	14,148	166
Subtotal	<u>16,228</u>	<u>15,754</u>	<u>474</u>
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	899	1,132	(233)
Corporate bonds	841	849	(8)
Subtotal	<u>1,740</u>	<u>1,981</u>	<u>(241)</u>
Total	<u>\$ 17,968</u>	<u>\$ 17,735</u>	<u>\$ 233</u>

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, unlisted equity securities of ¥204 million (\$1,697 thousand) and ¥199 million at March 31, 2015 and 2014, respectively, are not included in the above table.

Sales of other securities for the years ended March 31, 2015 and 2014 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
	¥	¥	\$
Sales	218	23	1,814
Aggregate gain	9	13	75

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Inventories

Inventories at March 31, 2015 and 2014 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Merchandise and finished products	¥ 3,567	¥ 3,104	\$ 29,686
Work in process	69	80	574
Raw materials and supplies	2,909	2,802	24,209
Total	<u>¥ 6,545</u>	<u>¥ 5,986</u>	<u>\$ 54,469</u>

Cost of sales included loss on devaluation of inventories of ¥48 million (\$399 thousand) and ¥60 million for the years ended March 31, 2015 and 2014, respectively.

7. Retirement Benefits Plans

(1) Outline of 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.

Certain consolidated subsidiaries calculate the liability for retirement benefits based on the simplified method. These domestic subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

(2) Liability for retirement benefits for the years ended March 31, 2015 and 2014

i) The changes in retirement benefit obligation are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Retirement benefit obligation at beginning of year	¥ 3,830	¥ 3,666	\$ 31,874
Service cost	167	164	1,390
Interest cost	77	73	641
Actuarial loss (gain)	27	(15)	224
Retirement benefits paid	(56)	(58)	(466)
Retirement benefit obligation at end of year	<u>¥ 4,045</u>	<u>¥ 3,830</u>	<u>\$ 33,663</u>

ii) The changes in plan assets at fair value are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Plan assets at fair value at beginning of year	¥ 3,433	¥ 2,934	\$ 28,570
Expected return on plan assets	69	59	574
Actuarial gain	419	286	3,487
Contributions by the employer	291	212	2,422
Retirement benefits paid	(56)	(58)	(466)
Plan assets at fair value at end of year	<u>¥ 4,156</u>	<u>¥ 3,433</u>	<u>\$ 34,587</u>

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

7. Retirement Benefits Plans (continued)

(2) Liability for retirement benefits for the years ended March 31, 2015 and 2014 (continued)

iii) The changes in retirement benefits obligation calculated by simplified method are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Retirement benefit obligation at beginning of year	¥ 253	¥ 215	\$ 2,106
Retirement benefits expenses	44	42	366
Retirement benefits paid	(6)	(4)	(50)
Retirement benefit obligation at end of year	¥ 291	¥ 253	\$ 2,422

iv) The balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in the consolidated balance sheets are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Funded retirement benefit obligation	¥ 4,045	¥ 3,830	\$ 33,663
Plan assets at fair value	(4,156)	(3,433)	(34,587)
	(111)	397	(924)
Unfunded retirement benefit obligation	291	253	2,422
Net amount of liabilities and assets recognized in consolidated balance sheets	180	650	1,498
Liability for retirement benefits	180	650	1,498
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ 180	¥ 650	\$ 1,498

v) The components of retirement benefit expenses for the years ended March 31, 2015 and 2014 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Service cost	¥ 211	¥ 206	\$ 1,756
Interest cost	77	73	641
Expected return on plan assets	(69)	(59)	(574)
Amortization:			
Actuarial loss	38	69	316
Past service cost	(2)	(2)	(17)
Net retirement benefit obligation at transition	20	20	166
Retirement benefit expenses	¥ 275	¥ 307	\$ 2,288

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

7. Retirement Benefits Plans (continued)

(2) Liability for retirement benefits for the years ended March 31, 2015 and 2014 (continued)

vi) The components of retirement benefit liability adjustments included in other comprehensive income before the tax effects are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Actuarial gain	¥ 430	¥ –	\$ 3,579
Past service cost	(2)	–	(17)
Net retirement benefit obligation at transition	20	–	166
	<u>¥ 448</u>	<u>¥ –</u>	<u>\$ 3,728</u>

vii) The balance of retirement benefit liability adjustments recognized in accumulated other comprehensive income before tax effects are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Unrecognized actuarial gain	¥ 765	¥ 335	\$ 6,366
Unrecognized past service cost	–	2	–
Unrecognized net retirement benefit obligation at transition	–	(20)	–
Total	<u>¥ 765</u>	<u>¥ 317</u>	<u>\$ 6,366</u>

viii) The plan assets by major category consist of the following:

	2015	2014
Bonds	45.0%	48.0%
Equities	53.0%	50.0%
Cash and deposits	2.0%	2.0%
Total	<u>100.0%</u>	<u>100.0%</u>

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation and long-term expected rate of return from multiple plan assets at present and in the future.

ix) The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	2.0%	2.0%
Expected long-term rate of return on plan assets	2.0%	2.0%
Expected rate of compensation increases	1.7%	1.7%

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. 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 rates of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively. 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, 2015 and 2014 as a percentage of income before income taxes are as follows:

	<u>2015</u>	<u>2014</u>
Statutory tax rate	35.6%	38.0%
Permanently non-deductible expenses	0.5	0.5
Per capita portion of inhabitants' taxes	0.7	0.6
Tax credit for research and development costs	(9.0)	(6.9)
Differences in tax rates applicable to overseas subsidiaries	(0.4)	(1.0)
Effect of changes in corporate tax rates	2.3	0.4
Tax valuation allowance	(0.4)	0.9
Other	(0)	1.1
Effective tax rates	<u>29.3%</u>	<u>33.6%</u>

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Deferred tax assets:			
Unrealized gain on inventories	¥ 354	¥ 283	\$ 2,946
Long-term accounts payable-other	163	181	1,356
Accrued bonuses	146	153	1,215
Deferred revenue	59	56	491
Liability for retirement benefits	56	229	466
Accrued enterprise tax	53	42	441
Allowance for doubtful accounts	30	37	250
Write down of investments in securities	25	27	208
Accrued legal welfare expense on bonuses	22	23	183
Other	113	118	941
Gross deferred tax assets	<u>1,021</u>	<u>1,149</u>	<u>8,497</u>
Valuation allowance	<u>(44)</u>	<u>(57)</u>	<u>(366)</u>
Total deferred tax assets	<u>977</u>	<u>1,092</u>	<u>8,131</u>
Deferred tax liabilities:			
Gain on sales of fixed assets	(252)	(210)	(2,097)
Depreciation	(43)	(38)	(358)
Accrued interest	(10)	(10)	(83)
Reserve for special depreciation	(3)	(5)	(25)
Other	(11)	(1)	(92)
Total deferred tax liabilities	<u>(319)</u>	<u>(264)</u>	<u>(2,655)</u>
Net deferred tax assets	<u>¥ 658</u>	<u>¥ 828</u>	<u>\$ 5,476</u>

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Income Taxes (continued)

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.9, 2015) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No.2, 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rates used to measure the Company’s deferred tax assets and liabilities was changed from 35.6% to 33.0% and 32.2% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥40 million (\$333 thousand), and increase deferred income taxes by ¥67 million (\$558 thousand), net unrealized holding gain on securities by ¥0 million (\$0 thousand), and retirement benefit liability adjustments by ¥25 million (\$208 thousand) as of and for the year ended March 31, 2015.

9. 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, 2015 and 2014 amounted to ¥293 million (\$2,847 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, 2015 and 2014 are summarized as follows:

	Number of shares			
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Shares issued:				
Common stock	14,850,000	–	–	14,850,000
Treasury stock:				
Common stock	31,607	176	–	31,783

	Number of shares			
	2014			
	April 1, 2013	Increase	Decrease	March 31, 2014
Shares issued:				
Common stock	14,850,000	–	–	14,850,000
Treasury stock:				
Common stock	31,583	24	–	31,607

The increases in treasury stock were due to purchases of shares of less than one voting unit.

10. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Research and development costs	¥ 3,095	¥ 3,234	\$ 25,757

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

11. Other Comprehensive Income

Reclassification adjustments and tax effects of other comprehensive income for the years ended March 31, 2015 and 2014 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 87	¥ 34	\$ 724
Reclassification adjustments	(9)	(13)	(75)
Before tax effects	<u>78</u>	21	<u>649</u>
Tax effects	27	7	225
Net unrealized holding gain on securities	<u>51</u>	14	<u>424</u>
Translation adjustments:			
Amount arising during the year	470	348	3,911
Retirement benefit liability adjustments:			
Amount arising during the year	392	—	3,263
Reclassification adjustments	56	—	465
Before tax effects	<u>448</u>	—	<u>3,728</u>
Tax effects	(134)	—	(1,115)
Retirement benefit liability adjustments	<u>314</u>	—	<u>2,613</u>
Total other comprehensive income	<u>¥ 835</u>	<u>¥ 362</u>	<u>\$ 6,948</u>

12. Amounts Per Share

Amounts per share at March 31, 2015 and 2014 and for the years then ended are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2015	2014	2015
Net assets	¥ 3,637.17	¥ 3,468.01	\$ 30.27
Net income:			
Basic	142.72	151.02	1.19
Cash dividends	35.00	30.00	0.29

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

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Notes to Consolidated Financial Statements

13. 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 geographically.

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.

(Changes in accounting treatment for retirement benefits)

As noted in Note 2 under "Change in Accounting Policies," due to the changes in accounting treatment for retirement benefits, the methods of calculating retirement benefit obligation and service costs in each business segment were changed. The adoption these standards had no effect on operating income (loss) of each reporting segment for the year ended March 31, 2015.

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

Information by reporting segment for the years ended March 31, 2015 and 2014 are as follows:

	<i>Millions of yen</i>						
	2015						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)							
Sales to third parties	¥ 15,377	¥ 8,854	¥ 1,053	¥ 1,115	¥ 26,399	¥ -	¥ 26,399
Intersegment sales	7,684	3	0	430	8,117	(8,117)	-
Net sales	23,061	8,857	1,053	1,545	34,516	(8,117)	26,399
Operating expenses	20,434	8,735	1,086	1,519	31,774	(7,876)	23,898
Operating income (loss)	¥ 2,627	¥ 122	¥ (33)	¥ 26	¥ 2,742	¥ (241)	¥ 2,501
II. Total assets	¥ 50,127	¥ 7,324	¥ 768	¥ 3,203	¥ 61,422	¥ (2,762)	¥ 58,660
III. Other items							
Depreciation and amortization	¥ 760	¥ 88	¥ 7	¥ 11	¥ 866	¥ -	¥ 866
Investments in affiliated company	93	-	-	-	93	-	93
Increase in tangible / intangible fixed assets	769	53	6	8	836	-	836

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Segment Information (continued)

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

	<i>Millions of yen</i>						
	2014						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)							
Sales to third parties	¥ 16,335	¥ 7,622	¥ 987	¥ 1,339	¥ 26,283	¥ –	¥ 26,283
Intersegment sales	6,364	12	0	376	6,752	(6,752)	–
Net sales	22,699	7,634	987	1,715	33,035	(6,752)	26,283
Operating expenses	20,508	7,703	1,041	1,589	30,841	(6,763)	24,078
Operating income (loss)	¥ 2,191	¥ (69)	¥ (54)	¥ 126	¥ 2,194	¥ 11	¥ 2,205
II. Total assets	¥ 48,327	¥ 5,437	¥ 833	¥ 3,187	¥ 57,784	¥ (1,326)	¥ 56,458
III. Other Items							
Depreciation and amortization	¥ 798	¥ 68	¥ 6	¥ 10	¥ 882	¥ –	¥ 882
Investments in affiliated company	86	–	–	–	86	–	86
Increase in tangible / intangible fixed assets	615	364	7	5	991	–	991
	<i>Thousands of U.S. dollars</i>						
	2015						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)							
Sales to third parties	\$ 127,971	\$ 73,685	\$ 8,764	\$ 9,279	\$ 219,699	\$ –	\$ 219,699
Intersegment sales	63,948	25	0	3,579	67,552	(67,552)	–
Net sales	191,919	73,710	8,764	12,858	287,251	(67,552)	219,699
Operating expenses	170,057	72,695	9,038	12,641	264,431	(65,546)	198,885
Operating income (loss)	\$ 21,862	\$ 1,015	\$ (274)	\$ 217	\$ 22,820	\$ (2,006)	\$ 20,814
II. Total assets	\$ 417,169	\$ 60,952	\$ 6,391	\$ 26,656	\$ 511,168	\$ (22,986)	\$ 488,182
III. Other items							
Depreciation and amortization	\$ 6,325	\$ 732	\$ 58	\$ 92	\$ 7,207	\$ –	\$ 7,207
Investments in affiliated company	774	–	–	–	774	–	774
Increase in tangible / intangible fixed assets	6,400	441	50	67	6,958	–	6,958

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Segment Information (continued)

iv) Geographical information

(a) Sales

Sales categorized by country and region based on locations of customers by the Group for the years ended March 31, 2015 and 2014 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Japan	¥ 8,353	¥ 8,277	\$ 69,516
USA	6,364	5,633	52,963
North America (except USA)	1,636	1,396	13,615
Europe	3,748	3,477	31,192
Asia & Oceania	5,316	6,768	44,241
Other	982	732	8,172
Total	¥ 26,399	¥ 26,283	\$ 219,699

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region at March 31, 2015 and 2014 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Japan	¥ 6,441	¥ 6,420	\$ 53,604
North America	1,441	1,276	11,992
Europe	16	18	133
Asia & Oceania	196	206	1,631
Total	¥ 8,094	¥ 7,920	\$ 67,360

Disclosure of the information by product and service for the years ended March 31, 2014 and 2015 has been omitted as sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income.

Disclosure of the information by major customers for years ended March 31, 2015 and 2014 has been omitted as sales to each customer were less than 10% of consolidated net sales.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. Significant Subsidiaries and Affiliates

The Company's subsidiaries and significant affiliates at March 31, 2015 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
PURECOM CO., LTD.	100.0%	China	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-subsiary
ICOM CANADA HOLDINGS INC.	100.0%	Canada	Consolidated sub-subsiary
ICOM DO BRASIL RADIOCOMUNICACAO LTDA.	100.0%	Brazil	Consolidated sub-subsiary
Comforce Inc.	49.0%	Japan	Affiliate accounted for by the equity method
Position Co., Ltd.	33.3%	Japan	Affiliate accounted for by the equity method

Effective the year ended March 31, 2015, PURECOM CO., LTD. has been newly established and included in the scope of consolidation.

15. 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, 2015, was approved at the Company's general shareholders' meeting held on June 24, 2015:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2015	2014	2015
Cash dividends (¥20 = U.S.\$0.17 per share)	¥ 296	¥ 222	\$ 2,463

Independent Auditor's Report

The Board of Directors
ICOM INCORPORATED

We have audited the accompanying consolidated financial statements of ICOM INCORPORATED and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, 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 consolidated subsidiaries as at March 31, 2015, 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 24, 2015
Osaka, Japan

BOARD OF DIRECTORS AND AUDITORS

Tokuzo Inoue
Chairman and Representative Director
Tsutomu Fukui
President and Representative Director
Nobuo Ogawa
Executive Managing Director
Hiroshi Shimizu
Director
Kenichi Kojiyama
Director
Haruyuki Yoshizawa
Outside Director
Kenji Oono
Auditor
Hiroshi Umemoto
Outside Auditor
Katsunori Sugimoto
Outside Auditor

EXECUTIVE OFFICERS

Masataka Harima
Hiroshi Nakaoka
Takashi Tsujiuchi
Shinichi Matsuo
Shigeyoshi Tanabe
Yoshiteru Yano
Yoshiki Enomoto

DIRECTORY

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CORPORATE FACTS

(As of March 31, 2015)
Established: July 1964
Employees: 624
Paid-in capital: ¥7,081 million
Authorized shares: 34,000,000
Issued and outstanding shares:
14,850,000
Shareholders: 5,487
Stock listing: Tokyo Stock Exchange

(As of March 31, 2015)

Major shareholders	Thousands of shares
Tokuzo Inoue	1,868
State Street Bank and Trust Company	1,781
Gigapalace Inc.	1,472
The Icom Foundation	1,000
JPMorgan Chase & Co.	909
JVC KENWOOD Corporation	445
Meiji Yasuda Life Insurance Company	326
The Master Trust Bank of Japan, Ltd.	306
Japan Trustee Service Bank, Ltd.	297
Bank of Tokyo-Mitsubishi UFJ, Ltd.	243
Hiroshima Bank, Ltd.	240

