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# **ANNUAL REPORT 2007**

**YEAR ENDED MARCH 31, 2007**

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**ICOM INCORPORATED**

# Financial Highlights

## ICOM INCORPORATED AND SUBSIDIARIES

Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Net sales	¥ 31,107	¥ 30,771	¥ 30,031	\$ 263,529
Operating income	4,566	4,805	4,982	38,682
Income before income taxes and minority interests	5,052	5,771	5,395	42,799
Net income	3,205	3,731	3,363	27,152
Total assets	¥ 49,350	¥ 48,550	¥ 44,309	\$ 418,079

### Amounts per share:

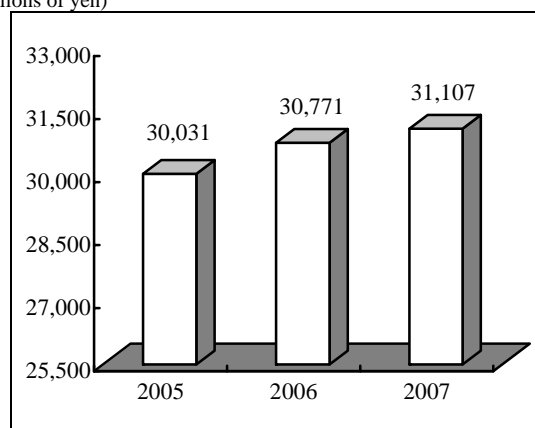
	Yen			U.S. dollars
	2007	2006	2005	2007
Net assets	¥2,999.27	¥2,834.22	¥2,604.39	\$25.41
Net income – basic	217.21	251.29	225.32	1.84
Net income – diluted	216.29	249.14	223.91	1.83
Cash dividends	40.00	40.00	30.00	0.34

#### Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥118.04 = U.S.\$1.00, the exchange rate prevailing on March 31, 2007.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

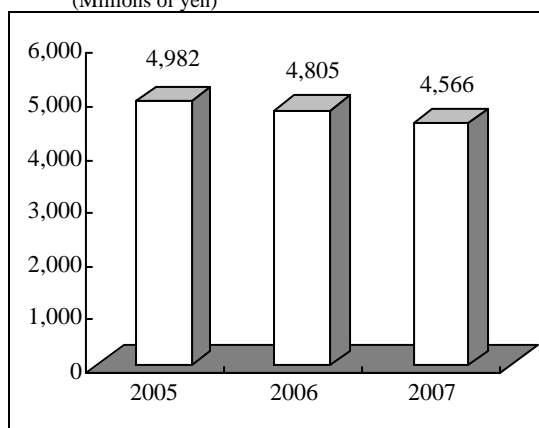
### Net Sales

(Millions of yen)



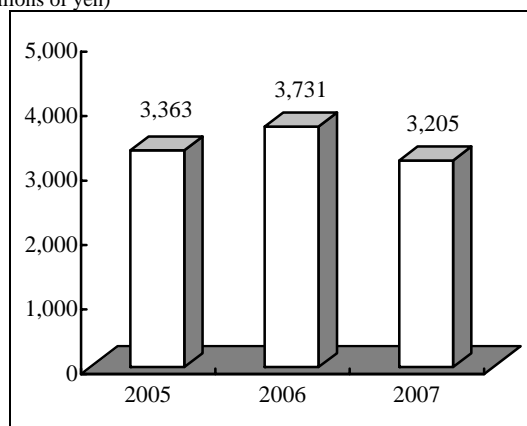
### Operating Income

(Millions of yen)



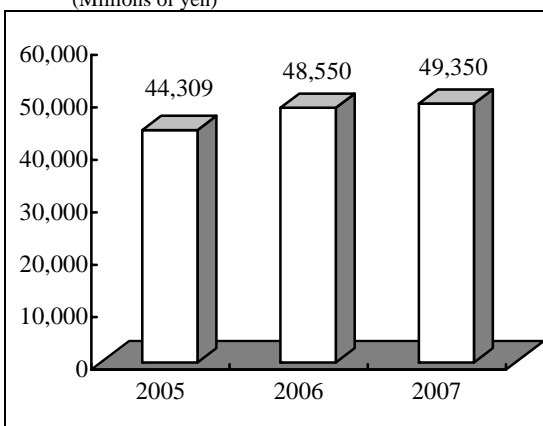
### Net Income

(Millions of yen)



### Total Assets

(Millions of yen)



# Operating Highlights

## BUSINESS SEGMENT INFORMATION

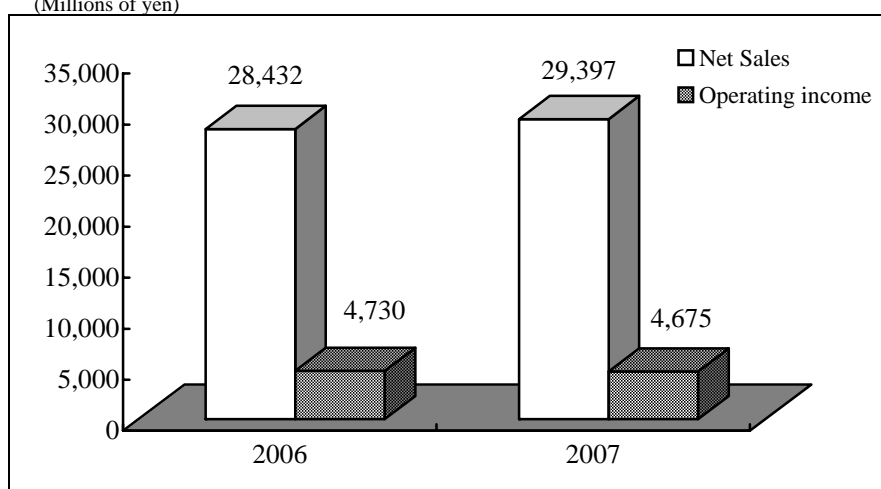
Years ended March 31, 2007 and 2006

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income		Net sales	Operating income
	2007	2006	2007	2006	2007	2007
Radio	¥ 29,397	¥ 28,432	¥ 4,675	¥ 4,730	\$ 249,043	\$ 39,606
Computer	1,710	2,339	(109)	75	14,486	(924)
Eliminations	-	-	-	-	-	-
Consolidated total	¥ 31,107	¥ 30,771	¥ 4,566	¥ 4,805	\$ 263,529	\$ 38,682

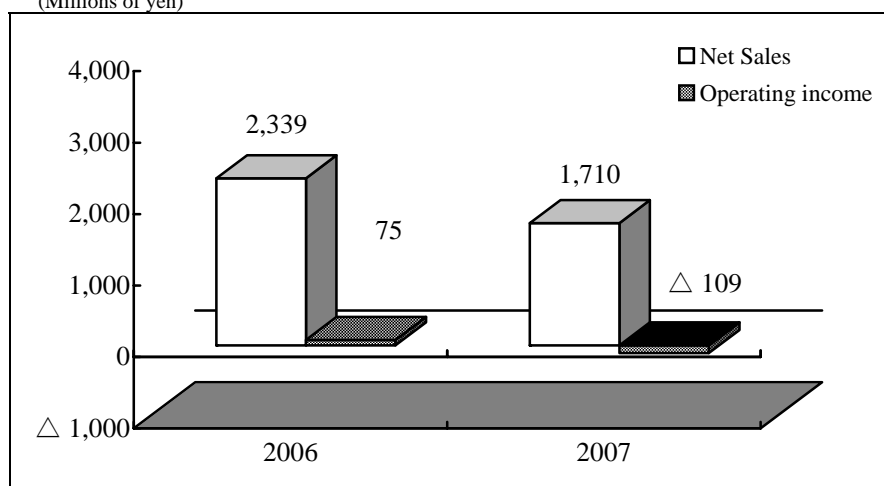
Notes:

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

**Radio**  
(Millions of yen)



**Computer**  
(Millions of yen)



# Operating Highlights

## GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2007 and 2006

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income		Net sales	Operating income
	2007	2006	2007	2006	2007	2007
Japan	¥ 26,170	¥ 26,550	¥ 3,716	¥ 4,208	\$ 221,704	\$ 31,481
North America	11,122	11,456	189	666	94,222	1,601
Europe	1,611	1,716	91	89	13,648	771
Asia & Oceania	2,008	1,738	241	197	17,011	2,041
Eliminations	(9,804)	(10,689)	329	(355)	(83,056)	2,788
Consolidated total	¥ 31,107	¥ 30,771	¥ 4,566	¥ 4,805	\$ 263,529	\$ 38,682

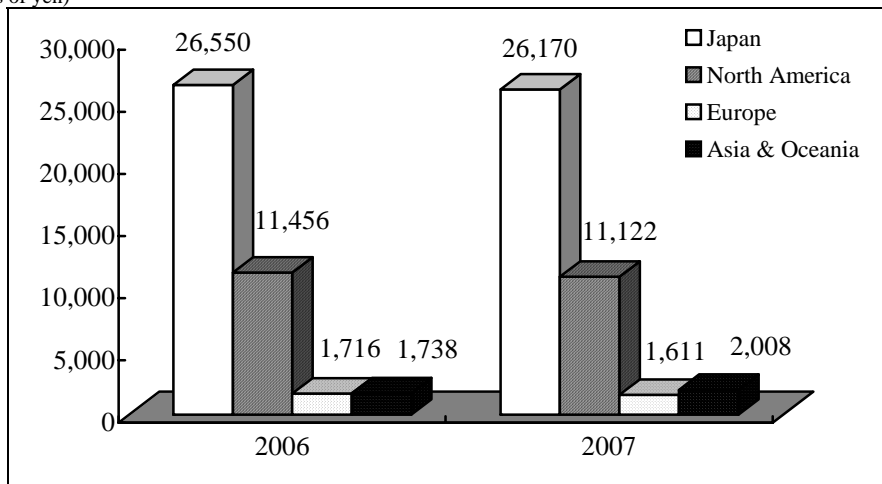
Notes:

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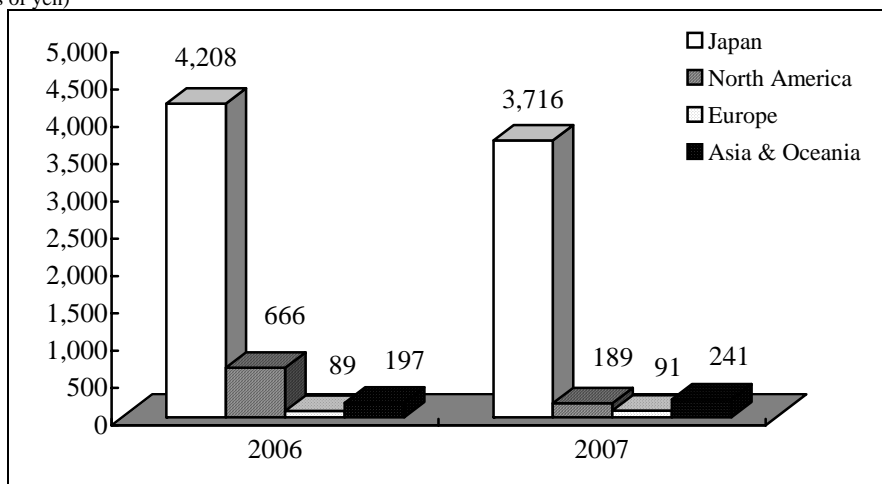
### Net Sales

(Millions of yen)



### Operating Income

(Millions of yen)



# Operating Highlights

## OVERSEAS SALES

Years ended March 31, 2007 and 2006

	Millions of yen				Thousands of U.S. dollars	
	2007		2006		2007	
North America	¥ 10,772	34.6%	¥ 11,431	37.2%	\$ 91,257	
Europe	6,373	20.5	6,062	19.7	53,990	
Asia	5,556	17.9	4,770	15.5	47,069	
Other	2,485	8.0	2,138	6.9	21,052	
Overseas total	25,186	81.0	24,401	79.3	213,368	
Domestic total	5,921	19.0	6,370	20.7	50,161	
Consolidated total	¥ 31,107	100.0%	¥ 30,771	100.0%	\$ 263,529	

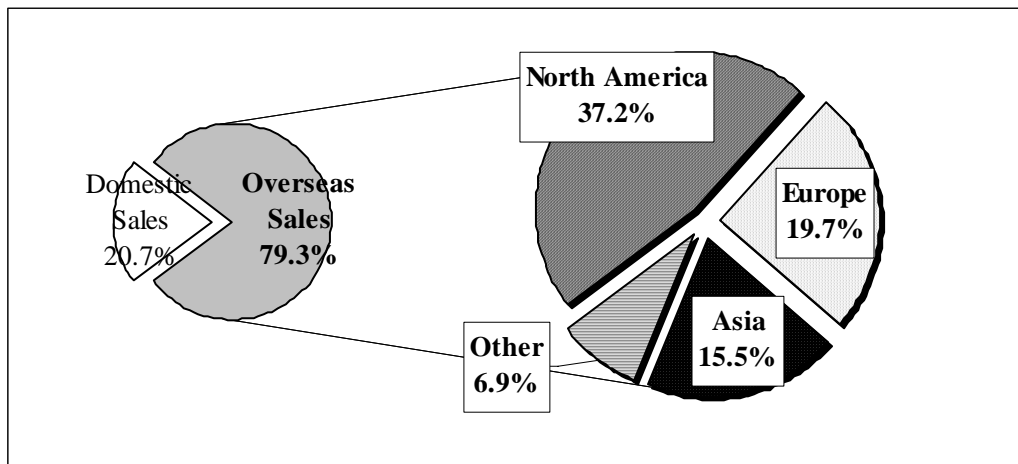
Notes:

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

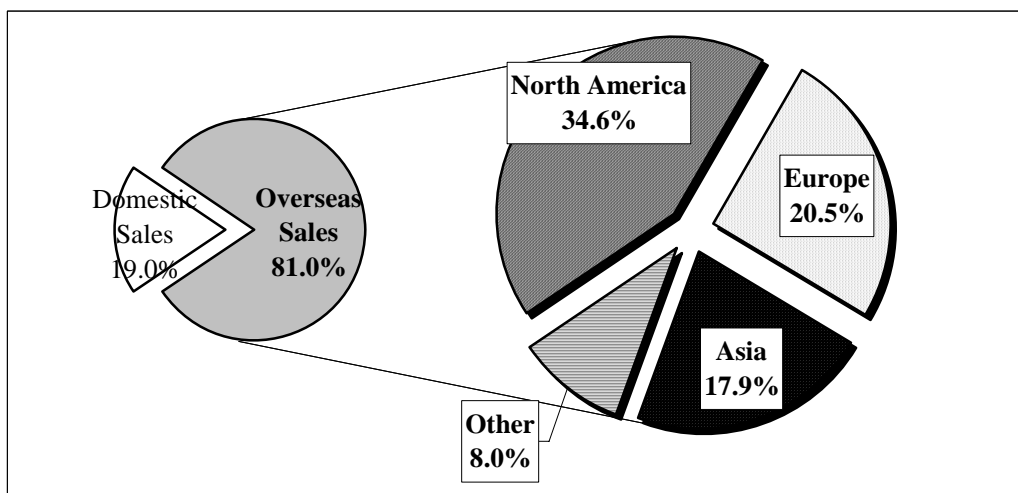
### Net Sales 2006

(Millions of yen)



### Net Sales 2007

(Millions of yen)



*ICOM INCORPORATED AND SUBSIDIARIES*  
**Consolidated Balance Sheets**

March 31, 2007 and 2006

Assets	Millions of yen		Thousands of U.S. dollars <i>(Note 1)</i>
	2007	2006	2007
<b>Current assets:</b>			
Cash and deposits <i>(Note 4)</i>	¥ 23,913	¥ 22,653	\$ 202,584
Marketable securities <i>(Notes 4 and 5)</i>	498	398	4,219
Notes and accounts receivable	4,973	4,599	42,130
Allowance for doubtful accounts	(69)	(74)	(585)
	4,904	4,525	41,545
Inventories <i>(Note 6)</i>	5,013	5,308	42,469
Deferred income taxes <i>(Note 8)</i>	769	987	6,515
Other current assets	730	443	6,184
Total current assets	35,827	34,314	303,516
<b>Property, plant and equipment:</b>			
Land	3,823	3,350	32,387
Buildings and structures	4,973	4,957	42,130
Machinery and equipment	9,987	9,489	84,607
Vehicles and other	287	296	2,431
Construction in progress	20	4	170
Property, plant and equipment, at cost	19,090	18,096	161,725
Less accumulated depreciation	(11,181)	(10,656)	(94,722)
Property, plant and equipment, net	7,909	7,440	67,003
<b>Investments and other assets:</b>			
Investments in securities <i>(Note 5)</i>	2,111	3,393	17,884
Other investments	3,169	3,274	26,847
Deferred income taxes <i>(Note 8)</i>	258	83	2,185
Other assets	131	110	1,110
Allowance for doubtful accounts	(55)	(64)	(466)
Total investments and other assets	5,614	6,796	47,560
<b>Total assets</b>	¥ 49,350	¥ 48,550	\$ 418,079

*ICOM INCORPORATED AND SUBSIDIARIES*  
**Consolidated Balance Sheets**

March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars ( <i>Note 1</i> )
	2007	2006	2007
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Accounts payable – trade	¥ 1,437	¥ 1,492	\$ 12,174
Accounts payable – other	614	857	5,202
Accrued income taxes ( <i>Note 8</i> )	632	1,462	5,354
Accrued expenses	1,226	1,184	10,386
Warranty reserves	80	126	678
Other current liabilities	210	630	1,779
Total current liabilities	<b>4,199</b>	5,751	<b>35,573</b>
<b>Long-term liabilities:</b>			
Deferred income taxes ( <i>Note 8</i> )	25	117	212
Accrued retirement benefits for employees ( <i>Note 7</i> )	24	13	203
Accrued retirement benefits for directors and corporate auditors	591	571	5,007
Other long-term liabilities	229	273	1,940
Total long-term liabilities	<b>869</b>	974	<b>7,362</b>
<b>Net assets:</b>			
Shareholders' equity ( <i>Notes 9 and 10</i> ):			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2007 and 2006	7,081	7,081	59,988
Capital surplus	10,449	10,449	88,521
Retained earnings ( <i>Note 16</i> )	26,380	23,894	223,484
Less treasury stock, at cost:			
85,781 shares in 2007 and 102,681 shares in 2006	(294)	(352)	(2,491)
Total shareholders' equity	<b>43,616</b>	41,072	<b>369,502</b>
Valuation and translation adjustments:			
Unrealized holding (loss) gain on securities ( <i>Note 5</i> )	(91)	241	(771)
Translation adjustments	757	512	6,413
Total valuation and translation adjustments	<b>666</b>	753	<b>5,642</b>
Total net assets	<b>44,282</b>	41,825	<b>375,144</b>
<b>Total liabilities and net assets</b>	<b>¥ 49,350</b>	¥ 48,550	<b>\$ 418,079</b>

*See accompanying notes to consolidated financial statements.*

ICOM INCORPORATED AND SUBSIDIARIES

# Consolidated Statements of Income

Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>Net sales</b>	¥ 31,107	¥ 30,771	\$ 263,529
<b>Cost of sales</b>	17,166	17,128	145,425
Gross profit	13,941	13,643	118,104
<b>Selling, general and administrative expenses (Note 12)</b>	9,375	8,838	79,422
Operating income	4,566	4,805	38,682
<b>Other income (expenses):</b>			
Interest and dividend income	281	258	2,381
Gain on sales of securities, net (Note 5)	198	252	1,677
Foreign exchange gain, net	317	695	2,686
Loss on disposal of inventories	(84)	(54)	(712)
Sales discounts	(297)	(262)	(2,516)
Gain on return of substitutional portion of employees' welfare pension fund plan (Note 7)	-	4	-
Other, net	71	73	601
	486	966	4,117
Income before income taxes	5,052	5,771	42,799
<b>Income taxes (Note 8):</b>			
Current	1,668	2,339	14,131
Deferred	179	(299)	1,516
	1,847	2,040	15,647
<b>Net income</b>	¥ 3,205	¥ 3,731	\$ 27,152

See accompanying notes to consolidated financial statements.

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

Years ended March 31, 2007 and 2006

*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 March 31, 2005	14,850,000	¥7,081	¥10,449	¥ 21,005	¥ (126)	¥ (20)	¥ 178	¥38,567
Net income for the year	-	-	-	3,731	-	-	-	3,731
Cash dividends	-	-	-	(516)	-	-	-	(516)
Bonuses to directors and corporate auditors	-	-	-	(25)	-	-	-	(25)
Purchases of treasury stock	-	-	-	-	(1,079)	-	-	(1,079)
Sales of treasury stock	-	-	-	(310)	853	-	-	543
Increase resulting from change in equity in a subsidiary	-	-	-	9	-	-	-	9
Other changes	-	-	-	-	-	261	334	595
Balance at March 31, 2006	14,850,000	¥7,081	¥10,449	¥ 23,894	¥ (352)	¥ 241	¥ 512	¥41,825
Net income for the year	-	-	-	3,205	-	-	-	3,205
Cash dividends	-	-	-	(664)	-	-	-	(664)
Bonuses to directors and corporate auditors	-	-	-	(28)	-	-	-	(28)
Purchases of treasury stock	-	-	-	-	(1)	-	-	(1)
Sales of treasury stock	-	-	-	(27)	59	-	-	32
Other changes	-	-	-	-	-	(332)	245	(87)
Balance at March 31, 2007	14,850,000	¥7,081	¥ 10,449	¥ 26,380	¥ (294)	¥ (91)	¥ 757	¥44,282

*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 March 31, 2006	\$59,988	\$88,521	\$202,423	\$(2,982)	\$ 2,042	\$ 4,337	\$354,329
Net income for the year	-	-	27,152	-	-	-	27,152
Cash dividends	-	-	(5,625)	-	-	-	(5,625)
Bonuses to directors and corporate auditors	-	-	(237)	-	-	-	(237)
Purchases of treasury stock	-	-	-	(9)	-	-	(9)
Sales of treasury stock	-	-	(229)	500	-	-	271
Other changes	-	-	-	-	(2,813)	2,076	(737)
Balance at March 31, 2007	\$59,988	\$88,521	\$223,484	\$(2,491)	\$ (771)	\$ 6,413	\$375,144

*See accompanying notes to consolidated financial statements.*

ICOM INCORPORATED AND SUBSIDIARIES

# Consolidated Statements of Cash Flows

Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>Operating activities:</b>			
Income before income taxes	¥ 5,052	¥ 5,771	\$ 42,799
Adjustments for:			
Depreciation and amortization	1,187	1,127	10,056
Interest and dividend income	(281)	(258)	(2,381)
Foreign exchange gain, net	(282)	(601)	(2,389)
(Increase) decrease in notes and accounts receivable	(312)	1,673	(2,643)
Decrease in inventories	294	58	2,491
Decrease in accounts payable	(84)	(454)	(711)
Other, net	(750)	812	(6,354)
Subtotal	4,824	8,128	40,868
Income taxes paid	(2,556)	(1,899)	(21,654)
<b>Net cash provided by operating activities</b>	<b>2,268</b>	<b>6,229</b>	<b>19,214</b>
<b>Investing activities:</b>			
Decrease in time deposits with original maturities of more than three months	333	55	2,821
Purchases of marketable securities	-	(50)	-
Proceeds from sales of marketable securities	185	150	1,567
Purchases of property, plant and equipment	(1,676)	(1,379)	(14,199)
Purchases of other assets	(98)	(39)	(830)
Purchases of investments in securities	(314)	(776)	(2,660)
Proceeds from sales of investments in securities	893	2,821	7,565
Interest and dividend income received	276	255	2,338
Other, net	(56)	(1,156)	(474)
<b>Net cash used in investing activities</b>	<b>(457)</b>	<b>(119)</b>	<b>(3,872)</b>
<b>Financing activities:</b>			
Purchases of treasury stock	(1)	(1,079)	(9)
Proceeds from sales of treasury stock	32	543	271
Purchases of minority shareholders' interest in a subsidiary	-	(52)	-
Cash dividends paid	(664)	(516)	(5,625)
<b>Net cash used in financing activities</b>	<b>(633)</b>	<b>(1,104)</b>	<b>(5,363)</b>
<b>Effect of exchange rate changes on cash and cash   equivalents</b>	<b>405</b>	<b>1,028</b>	<b>3,431</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,583</b>	<b>6,034</b>	<b>13,410</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>22,530</b>	<b>16,496</b>	<b>190,868</b>
<b>Cash and cash equivalents at end of year (Note 4)</b>	<b>¥ 24,113</b>	<b>¥ 22,530</b>	<b>\$ 204,278</b>

See accompanying notes to consolidated financial statements.

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

March 31, 2007

## 1. Basis of Preparation

The accompanying consolidated financial statements of ICOM INCORPORATED (the "Company") and 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 Securities and Exchange Law of Japan.

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

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

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

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 ¥118.04 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2007. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the 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 and loss, both realized and unrealized, are 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 associates are all classified as "other securities" and have been accounted for as outlined above.

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

**(e) Inventories**

Inventories are classified into four categories and are valued as follows:

Finished goods .....	principally at cost 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
Work in process .....	at cost determined by the moving average method
Raw materials and supplies for repairs and R&D activities .....	at the lower of cost or market, cost being determined by the moving average method
Merchandise and supplies other than those for repairs and R&D activities .....	principally at the most recent purchase price, except for items 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**

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on April 1, 1998 and there after. 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. Depreciation at the Company's overseas subsidiaries is calculated at rates based on the estimated useful lives of the respective assets by either the accelerated method or the straight-line method.

**(g) Software development costs**

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

**(h) 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.

**(i) Warranty reserves**

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

**(j) 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.

The Company and certain subsidiaries have unfunded retirement benefit plans for directors and corporate auditors. The amounts required under the plans have been fully accrued in accordance with their internal regulations.

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

**(k) Leases**

The Company and its subsidiaries lease certain assets under noncancelable lease agreements referred to as finance leases. At the Company and its domestic subsidiaries, certain overseas subsidiaries, finance leases, which are defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

**(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) Appropriation of retained earnings**

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for the period, therefore, do not reflect such appropriations.

Effective May 1, 2006, the Corporation Law of Japan (the "Law") went into effect. The Law provides that bonuses to directors and corporate auditors are to be made by resolution of the Board of Directors and the reserve for bonuses to directors and corporate auditors is to be set aside in the financial period. The Law further provides that cash dividends are to be made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for the period, therefore, do not reflect such appropriations. (See Note 16.)

**3. Change in Method of Accounting for Bonuses to Directors and Corporate Auditors**

Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (Accounting Standards Board of Japan (ASBJ) Statement No. 4 issued on November 29, 2005) and have charged bonuses to directors and corporate auditors to income as incurred. Up to the year ended March 31, 2006, such bonuses were accounted for as decreases in unappropriated retained earnings through the appropriation of retained earnings with respect to a given financial period made by resolution of the shareholders.

As a result of the adoption of this accounting standard, the Company and its domestic consolidated subsidiaries recorded an allowance for bonuses to directors and corporate auditors of ¥35 million (\$297 thousand) at March 31, 2007 which is included in accrued expenses, and operating income and income before income taxes decreased by the same amount for the year then ended from the amount which would have been recorded under the method applied in the previous year.

**4. Cash and Cash Equivalents**

In the preparation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in the balance sheets at March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2007</b>	2006	<b>2007</b>
Cash and deposits	¥ 23,913	¥ 22,653	\$ 202,584
Marketable securities	498	398	4,219
Subtotal	<b>24,411</b>	23,051	<b>206,803</b>
Time deposits with original maturities in excess of 3 months	-	(323)	-
Marketable securities with original maturities in excess of 3 months	<b>(298)</b>	(198)	<b>(2,525)</b>
Cash and cash equivalents	<b>¥ 24,113</b>	¥ 22,530	<b>\$ 204,278</b>

*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, 2007 and 2006 are summarized as follows:

	Millions of yen					
	2007			2006		
	Acquisition Cost	Carrying Value	Unrealized Gain (Loss)	Acquisition Cost	Carrying Value	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 148	¥ 309	¥ 161	¥ 1,286	¥ 1,728	¥ 442
Corporate bonds	100	101	1	100	100	0
Other	200	200	0	657	796	139
Subtotal	<u>448</u>	<u>610</u>	<u>162</u>	<u>2,043</u>	<u>2,624</u>	<u>581</u>
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	1,070	908	(162)	1	1	(0)
Corporate bonds	1,199	1,046	(153)	1,297	1,124	(173)
Subtotal	<u>2,269</u>	<u>1,954</u>	<u>(315)</u>	<u>1,298</u>	<u>1,125</u>	<u>(173)</u>
Total	<u>¥ 2,717</u>	<u>¥ 2,564</u>	<u>¥ (153)</u>	<u>¥ 3,341</u>	<u>¥ 3,749</u>	<u>¥ 408</u>

	Thousands of U.S. dollars		
	2007		
	Acquisition Cost	Carrying Value	Unrealized Gain (Loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 1,254	\$ 2,618	\$ 1,364
Corporate bonds	847	856	9
Other	1,694	1,694	0
Subtotal	<u>3,795</u>	<u>5,168</u>	<u>1,373</u>
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	9,065	7,692	(1,373)
Corporate bonds	10,158	8,862	(1,296)
Subtotal	<u>19,223</u>	<u>16,554</u>	<u>(2,669)</u>
Total	<u>\$ 23,018</u>	<u>\$ 21,722</u>	<u>\$ (1,296)</u>

Sales of other securities for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
	Sales	¥ 840	¥ 4,784
Aggregate gain	206	392	1,745
Aggregate loss	8	140	68

The carrying value of investments in non-marketable securities at March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
	Unlisted equity securities (except for equity securities traded on the over-the-counter market)	¥ 24	¥ 24
Total	<u>¥ 24</u>	<u>¥ 24</u>	<u>\$ 203</u>

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

The redemption schedule as of March 31, 2007 for other securities with maturity dates is summarized as follows:

		Millions of yen			
		<b>2007</b>			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	
Corporate bonds	¥ 298	¥ 99	¥ 99	¥	650
Other	200	-	-	¥	-
<b>Total</b>	<b>¥ 498</b>	<b>¥ 99</b>	<b>¥ 99</b>	<b>¥</b>	<b>650</b>

		Thousands of U.S. dollars			
		<b>2007</b>			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	
Corporate bonds	\$ 2,525	\$ 839	\$ 839	\$	5,507
Other	1,694	-	-	\$	-
<b>Total</b>	<b>\$ 4,219</b>	<b>\$ 839</b>	<b>\$ 839</b>	<b>\$</b>	<b>5,507</b>

## 6. Inventories

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	<b>2007</b>	2006	<b>2007</b>
Merchandise and finished products	¥ 3,117	¥ 3,609	\$ 26,406
Work in process	72	56	610
Raw materials and supplies	1,824	1,643	15,453
<b>Total</b>	<b>¥ 5,013</b>	<b>¥ 5,308</b>	<b>\$ 42,469</b>

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 7. Accrued Retirement Benefits for Employees

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

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

The funded and accrued status of the employees' defined benefit plans of the Company and its domestic subsidiaries and the amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Retirement benefit obligation at end of year	¥ (3,194)	¥ (2,134)	\$ (27,058)
Plan assets at fair value at end of year	2,441	2,259	20,679
(Unfunded retirement benefit obligation) plan assets exceeding retirement benefit obligation	(753)	125	(6,379)
Unrecognized net retirement benefit obligation at transition	163	184	1,381
Unrecognized actuarial gain	1,084	279	9,183
Unrecognized prior service cost	(18)	(20)	(152)
Prepaid pension cost	(500)	(581)	(4,236)
Accrued retirement benefits for employees	¥ (24)	¥ (13)	\$ (203)

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

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥ 135	¥ 117	\$ 1,144
Interest cost	40	37	339
Expected return on plan assets	(43)	(39)	(364)
Amortization of prior service cost	(2)	(2)	(17)
Amortization of retirement benefit obligation at transition	21	21	178
Amortization of actuarial gain	48	56	406
Retirement benefit expenses, net	199	190	1,686
Gain on return of substitutional portion of welfare pension fund plan	-	(4)	-
Total	¥ 199	¥ 186	\$ 1,686

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 principally of 2.0% and an expected rate of return on plan assets principally of 2.0% for the years ended March 31, 2007 and 2006.

*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 rate of approximately 40.6% for the years ended March 31, 2007 and 2006. 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, 2007 and 2006 as a percentage of income before income taxes are as follows:

	<u>2007</u>	<u>2006</u>
Statutory tax rate	<b>40.6%</b>	40.6%
Special tax credit for research and development expenses	<b>(4.0)</b>	(4.7)
Special tax credit for investments in information technology equipment	-	(0.1)
Per capita portion of inhabitants' taxes	<b>0</b>	0.3
Other	<b>0.0</b>	(0.8)
Effective tax rates	<b>36.6%</b>	35.3%

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 are summarized as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Deferred tax assets:			
Unrealized gain on inventories	¥ 418	¥ 554	\$ 3,541
Retirement benefits for directors and corporate auditors	240	232	2,033
Accrued bonuses	186	166	1,576
Accrued enterprise taxes	57	130	483
Allowance for doubtful accounts	43	46	364
Deferred revenue	95	93	805
Devaluation of investments in securities	42	42	356
Unrealized holding losses on securities	62	-	525
Warranty reserves losses	25	39	212
Other	105	113	889
Total deferred tax assets	<u>1,273</u>	<u>1,415</u>	<u>10,784</u>
Deferred tax liabilities:			
Unrealized holding gains on securities	-	(165)	-
Prepaid pension cost	(203)	(236)	(1,720)
Depreciation cost	(32)	(25)	(271)
Special reserve for depreciation	(11)	(12)	(93)
Other	(25)	(24)	(212)
Total deferred tax liabilities	<u>(271)</u>	<u>(462)</u>	<u>(2,296)</u>
Net deferred tax assets	<u>¥ 1,002</u>	<u>¥ 953</u>	<u>\$ 8,488</u>

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 9. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. 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, 2007 and 2006 amounted to ¥293 million (\$2,482 thousand).

Under the Law, 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 year ended March 31, 2007 are summarized as follows:

	Number of shares			March 31, 2007
	2007			
	March 31, 2006	Increase	Decrease	
Treasury stock	102,681	300	17,200	85,781

## 10. Stock Option Plans

The Company has stock option plans for the Company's and the domestic subsidiaries' directors and certain employees in accordance with the provisions of the Articles 280-20 and 280-21 of the Code.

Effective May 1, 2006, the Company has adopted Articles 236 and 238 of the Corporation Law of Japan.

The particulars of the stock option plans are outlined as follows:

### (a) Plan approved at a meeting of the shareholders of the Company held on June 27, 2001:

Recipients.....	The Company's 7 directors and 113 employees
Type of shares .....	Common stock
Number of shares .....	Up to 186,000 shares (the balance at March 31, 2007 was nil)
Exercise value .....	¥1,199 (Note (1))
Exercisable period .....	From July 1, 2003 to June 30, 2006
Conditions for exercise of options.....	Note (2)

Note (1): If the Company implements a split of its shares of common stock or issues new shares of common stock at a value lower than the prevailing market price, the exercise value will be adjusted according to the following formula and any fractional amount of less than one yen resulting from the adjustment will be rounded up to the full yen amount:

$$\begin{array}{l}
 \text{Exercise value after adjustment} = \text{Exercise value before adjustment} \times \frac{\text{Number of shares already in issue} + \frac{\text{Number of new shares issued}}{\text{Market price before stock split or new share issuance}}}{\text{Number of shares already in issue} + \text{Number of shares arising from the stock split and new shares issued}} \times \text{Amount paid per share}
 \end{array}$$

Note (2): (1) Recipients to whom stock acquisition rights have been granted may not continue to be eligible to exercise these rights if they lose or relinquish their positions as directors of the Company.

(2) In the event of the death of a stock option holder, his/her heirs have the right to exercise the deceased's stock acquisition rights.

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# Notes to Consolidated Financial Statements

**(b) Plan approved at a meeting of the shareholders of the Company held on June 26, 2003:**

Number of stock acquisition rights.....	3,950 (Note (1))
Recipients.....	9 directors, 1 corporate auditor and 259 employees of the Company and 1 director and 40 employees of the domestic subsidiaries
Type of shares.....	Common stock
Number of shares.....	Up to 395,000 shares (the balance at March 31, 2007 was 151,800 shares)
Exercise value .....	¥2,050 (Note (2))
Exercisable period .....	From July 1, 2005 to June 30, 2008
Conditions for exercise of options.....	Note (3)

Note (1): The Company will issue 100 shares upon the exercise of each stock acquisition right.

Note (2): If the Company implements a split or a reverse split of its shares of common stock, the exercise value will be adjusted according to the following formula, and any fractional amount of less than one yen resulting from this adjustment will be rounded up to the full yen amount:

$$\text{Exercise value after adjustment} = \text{Exercise value before adjustment} \times \frac{1}{\text{Ratio of split or reverse split}}$$

Note (3): (1) Recipients to whom stock acquisition rights have been granted may not continue to be eligible to exercise these rights if they lose or relinquish their positions as officers or employees of the Company and/or the domestic subsidiaries. Therefore, they are required to remain as the Company's directors, corporate auditors or employees or the directors or employees of the Company's domestic subsidiaries at the time of their exercise of their stock acquisition rights.

(2) In the event of the death of a stock option holder, his/her heirs do not have the right to exercise the deceased's stock acquisition rights.

(3) Other conditions will apply as prescribed in the agreement entered into between the Company and the recipients.

(4) A transfer of stock acquisition rights is permissible but is subject to a resolution approved at a meeting of the Company's Board of Directors.

## 11. Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company principally in order to manage certain risk arising from adverse fluctuation in foreign currency exchange rates. The Company has established a control environment which includes policies and procedures for risk assessment, and under these rules, the Company enters into foreign forward exchange contracts which fall within the Company's foreign currency holding limits. Periodical evaluation of the effectiveness of the hedging activities is thus waived, taking into account that complete offsetting of any fluctuation in exchange rates or cash flows is made possible by these contracts. In addition, the Accounting Department of the Company is responsible for the execution and management of all derivatives positions. The executive director approves, in advance, all transactions within the limits reported at meetings of the Board of Directors, and the results of the executed transactions are reported at the monthly meetings of the Board of Directors. The Company does not hold or issue derivative financial instruments for speculative trading purposes.

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

The Company's subsidiaries do not utilize any derivative financial instruments.

Disclosure of fair value information on derivatives at March 31, 2007 and 2006 has been omitted because all open derivatives positions qualified for deferral hedge accounting.

## 12. Research and Development Costs

Research and development costs included in selling, general and administrative expenses totaled ¥2,579 million (\$21,849 thousand) and ¥2,365 million for the years ended March 31, 2007 and 2006, respectively.

*ICOM INCORPORATED AND SUBSIDIARIES*

# Notes to Consolidated Financial Statements

## 13. Amounts Per Share

Amounts per share at March 31, 2007 and 2006 and for the years then ended were as follows:

	Yen		U.S. dollars
	2007	2006	2007
Net assets	¥ 2,999.27	¥ 2,834.22	\$ 25.41
Net income:			
Basic	217.21	251.29	1.84
Diluted	216.29	249.14	1.83
Cash dividends	40.00	40.00	0.34

Net assets per share are computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Basic net income per share is 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 years.

## 14. Segment Information

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

### (1) Business Segments

The business segment information of the Company and its subsidiaries for the years ended March 31, 2007 and 2006 is summarized as follows:

	Millions of yen				
	2007				
	Radio	Computer	Subtotal	Eliminations	Consolidated
I. Net sales and operating income					
Sales to third parties	¥ 29,397	¥ 1,710	¥ 31,107	¥ -	¥ 31,107
Intersegment sales	-	-	-	-	-
Net sales	29,397	1,710	31,107	-	31,107
Operating expenses	24,722	1,819	26,541	-	26,541
Operating income (loss)	¥ 4,675	¥ (109)	¥ 4,566	¥ -	¥ 4,566
II. Total assets, depreciation and capital expenditures					
Total assets	¥ 47,229	¥ 2,121	¥ 49,350	¥ -	¥ 49,350
Depreciation	1,148	39	1,187	-	1,187
Capital expenditures	1,622	59	1,681	-	1,681

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# Notes to Consolidated Financial Statements

		Millions of yen				
		2006				
		Radio	Computer	Subtotal	Eliminations	Consolidated
I .Net sales and operating income						
Sales to third parties	¥	28,432	¥ 2,339	¥ 30,771	¥ –	¥ 30,771
Intersegment sales		–	–	–	–	–
Net sales		28,432	2,339	30,771	–	30,771
Operating expenses		23,702	2,264	25,966	–	25,966
Operating income	¥	4,730	¥ 75	¥ 4,805	¥ –	¥ 4,805
II .Total assets, depreciation and capital expenditures						
Total assets	¥	46,391	¥ 2,159	¥ 48,550	¥ –	¥ 48,550
Depreciation		1,089	38	1,127	–	1,127
Capital expenditures		1,419	39	1,458	–	1,458
		Thousands of U.S. dollars				
		2007				
		Radio	Computer	Subtotal	Eliminations	Consolidated
I .Net sales and operating income						
Sales to third parties	\$	249,043	\$ 14,486	\$ 263,529	\$ –	\$ 263,529
Intersegment sales		–	–	–	–	–
Net sales		249,043	14,486	263,529	–	263,529
Operating expenses		209,437	15,410	224,847	–	224,847
Operating income (loss)	\$	39,606	\$ (924)	\$ 38,682	\$ –	\$ 38,682
II .Total assets, depreciation and capital expenditures						
Total assets	\$	400,110	\$ 17,969	\$ 418,079	\$ –	\$ 418,079
Depreciation		9,726	330	10,056	–	10,056
Capital expenditures		13,741	500	14,241	–	14,241

As described in Note 3, effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4 issued on November 29, 2005). As a result of this change, operating expenses in the radio and computer segments increased by ¥34 million (\$288 thousand) and ¥1 million (\$8 thousand), respectively, and operating income for these segments decreased by the corresponding amounts for the year ended March 31, 2007 from the amounts which would have been recorded under the method applied in the previous year.

# Notes to Consolidated Financial Statements

## (2) Geographical Segments

The geographical segment information of the Company and its subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen						
	2007						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I .Net sales and operating income							
Sales to third parties	¥ 16,989	¥ 11,107	¥ 1,606	¥ 1,405	¥ 31,107	¥ –	¥ 31,107
Intersegment sales	9,181	15	5	603	9,804	(9,804)	–
Net sales	26,170	11,122	1,611	2,008	40,911	(9,804)	31,107
Operating expenses	22,454	10,933	1,520	1,767	36,674	(10,133)	26,541
Operating income	¥ 3,716	¥ 189	¥ 91	¥ 241	¥ 4,237	¥ 329	¥ 4,566
II .Total assets	¥ 43,086	¥ 6,317	¥ 979	¥ 1,814	¥ 52,196	¥ (2,846)	¥ 49,350

	Millions of yen						
	2006						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I .Net sales and operating income							
Sales to third parties	¥ 16,452	¥ 11,450	¥ 1,716	¥ 1,153	¥ 30,771	¥ –	¥ 30,771
Intersegment sales	10,098	6	–	585	10,689	(10,689)	–
Net sales	26,550	11,456	1,716	1,738	41,460	(10,689)	30,771
Operating expenses	22,342	10,790	1,627	1,541	36,300	(10,334)	25,966
Operating income	¥ 4,208	¥ 666	¥ 89	¥ 197	¥ 5,160	¥ (355)	¥ 4,805
II .Total assets	¥ 42,862	¥ 6,966	¥ 817	¥ 1,393	¥ 52,038	¥ (3,488)	¥ 48,550

	Thousands of U.S. dollars						
	2007						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I .Net sales and operating income							
Sales to third parties	\$ 143,925	\$ 94,095	\$ 13,606	\$ 11,903	\$ 263,529	\$ –	\$ 263,529
Intersegment sales	77,779	127	42	5,108	83,056	(83,056)	–
Net sales	221,704	94,222	13,648	17,011	346,585	(83,056)	263,529
Operating expenses	190,223	92,621	12,877	14,970	310,691	(85,844)	224,847
Operating income	\$ 31,481	\$ 1,601	\$ 771	\$ 2,041	\$ 35,894	\$ 2,788	\$ 38,682
II .Total assets	\$ 365,011	\$ 53,516	\$ 8,294	\$ 15,368	\$ 442,189	\$ (24,110)	\$ 418,079

As described in Note 3, effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005). As a result of this change, operating expenses in Japan increased by ¥35 million (\$297 thousand) and operating income decreased by the same amount for the year ended March 31, 2007 from the amount which would have been recorded under the method applied in the previous year.

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# Notes to Consolidated Financial Statements

### (3) Overseas Sales

Overseas sales, which include export sales of the Company and sales (other than exports to Japan) of the overseas subsidiaries, for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars
	2007		2006		2007
North America	¥ 10,772	34.6%	¥ 11,431	37.2%	\$ 91,257
Europe	6,373	20.5%	6,062	19.7%	53,990
Asia	5,556	17.9%	4,770	15.5%	47,069
Other	2,485	8.0%	2,138	6.9%	21,052
Sales to overseas customers	¥ 25,186	81.0%	¥ 24,401	79.3%	\$ 213,368
Consolidated net sales	¥ 31,107	100.0%	¥ 30,771	100.0%	\$ 263,529

### 15. Significant Subsidiaries and Affiliates

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

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

### 16. Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved at a shareholders' meeting held on June 27, 2007:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Cash dividends (¥20 = U.S.\$0.17 per share)	¥ 295	\$ 2,499

## Report of Independent Auditors

The Board of Directors  
ICOM INCORPORATED

We have audited the accompanying consolidated balance sheets of ICOM INCORPORATED and subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICOM INCORPORATED and subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 27, 2007

## **BOARD OF DIRECTORS AND AUDITOR**

Tokuzo Inoue  
*Chairman and Representative Director*

Tsutomu Fukui  
*President and Representative Director*

Nobuo Ogawa  
*Executive Managing Director*

Kiyoshi Sakurai  
*Director*

Yasuo Hyakudai  
*Director*

Masataka Harima  
*Director*

Masanori Kamoto  
*Director*

Hiroshi Shimizu  
*Director*

Kikuji Okumura  
*Director (part-time)*

Seishi Yamazaki  
*Director*

Hiroshi Nakaoka  
*Director (part-time)*

Taichiro Itoyama  
*Director (part-time)*

Toshihiro Wada  
*Auditor (full-time)*

Hiroshi Umemoto  
*Auditor*

Katsunori Sugimoto  
*Auditor*

## **DIRECTORY**

### **Head Office:**

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

### **Subsidiaries:**

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

**Icom (Europe) GmbH**  
Himmelgeister Str. 100, 40225  
Dusseldorf, GERMANY  
Phone: 49-211-346047  
Fax: 49-211-333639  
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 100-0005, JAPAN  
Osaka Office:  
6-3, Fushimimachi 3-chome, Chuo-  
ku, Osaka 541-0044, JAPAN

## **INVESTOR RELATIONS**

Mr. Masakazu Kaneko  
Chief of Managing and Planning  
Section, Icom Inc.  
1-1-32, Kamiminami, Hirano-ku,  
Osaka, 547-0003, JAPAN  
Phone: 81-6-6793-5301  
Fax: 81-6-6793-5305

## **CORPORATE FACTS**

Established: July, 1964  
Employees: 594  
Paid-in-capital: ¥7,081 million  
Authorized shares: 34,000,000  
Issued and outstanding shares:  
14,850,000  
Shareholders: 3,517  
Stock listed: Tokyo Stock Exchange  
and Osaka Securities Exchange

Shareholders	Thousands of shares
Tokuzo Inoue	1,868
Gigapalace Inc.	1,472
The Icom Foundation	1,000
The Master Trust Bank of Japan, Ltd.	621
Japan Trustee Service Bank, Ltd.	475
State Street Bank and Trust Company	450
KENWOOD CORPORATION	445
JPMCB Omnibus US Pension Treaty JASDEC	394
Japan Trustee Service Bank, Ltd.	362
Meiji Yasuda Life Insurance Company	343