



ANNUAL REPORT 2011

YEAR ENDED MARCH 31, 2011

ICOM INCORPORATED

Financial Highlights

ICOM INCORPORATED AND SUBSIDIARIES

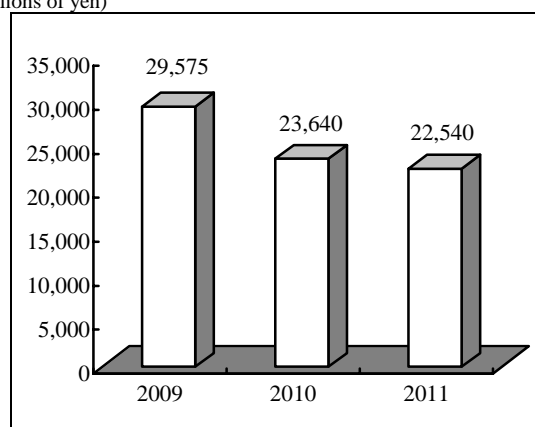
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Net sales	¥ 22,540	¥ 23,640	¥ 29,575	\$ 271,109
Operating income	731	431	2,785	8,792
Income before income taxes	782	711	1,532	9,406
Net income	436	230	998	5,244
<hr/>				
Total assets	¥ 49,807	¥ 49,350	¥ 49,245	\$ 599,074
<hr/>				
Amounts per share:				
	Yen			U.S. dollars
Net assets	¥ 3,081.33	¥ 3,094.79	¥ 3,086.49	\$ 37.06
Net income – basic	29.44	15.55	67.40	0.35
Net income – diluted	–	–	–	–
Cash dividends	20.00	20.00	40.00	0.24

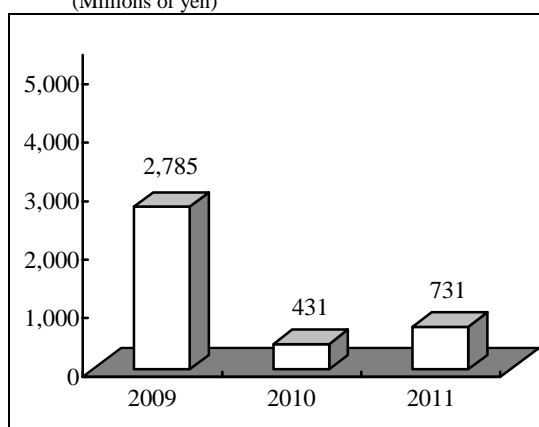
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥83.14 = U.S.\$1.00, the exchange rate prevailing on March 31, 2011.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

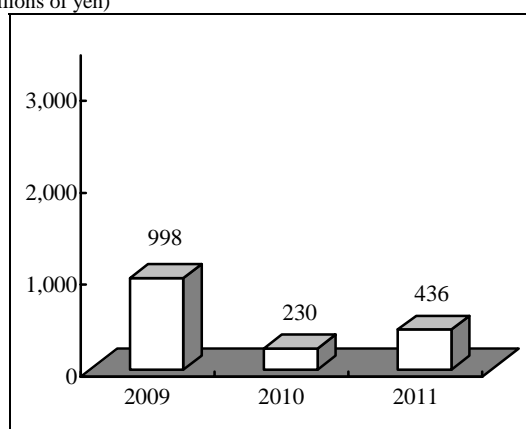
Net Sales
(Millions of yen)



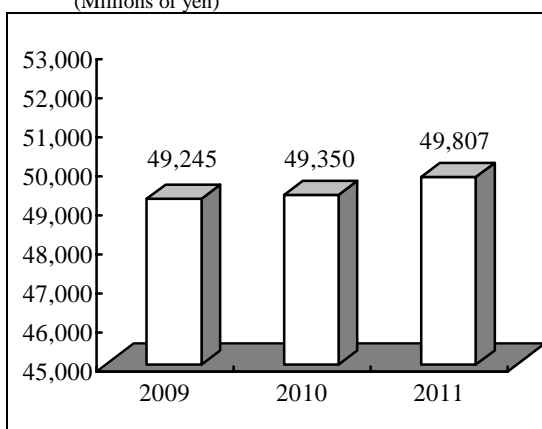
Operating Income
(Millions of yen)



Net Income
(Millions of yen)



Total Assets
(Millions of yen)



Operating Highlights

GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2011 and 2010

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income (loss)		Net sales	Operating income
	2011	2010	2011	2010	2011	2011
Japan	¥ 19,827	¥ 19,178	¥ 536	¥ (182)	\$ 238,477	\$ 6,447
North America	6,918	7,843	79	176	83,209	950
Europe	1,062	1,219	31	14	12,774	373
Asia & Oceania	1,541	1,299	147	129	18,535	1,768
Eliminations	(6,808)	(5,899)	(62)	294	(81,886)	(746)
Consolidated total	¥ 22,540	¥ 23,640	¥ 731	¥ 431	\$ 271,109	\$ 8,792

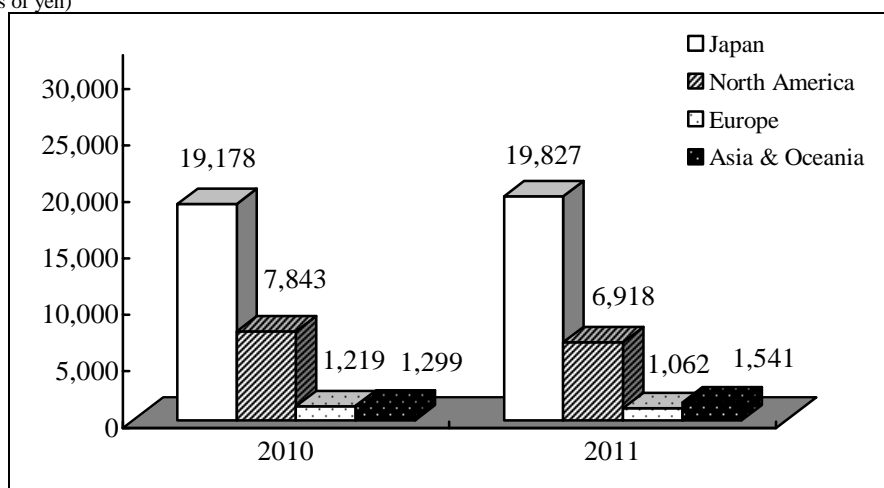
Notes:

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

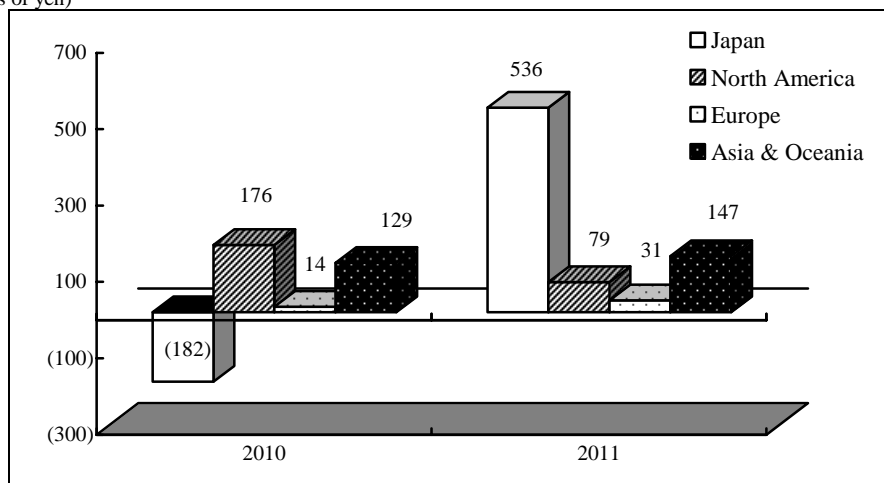
Net Sales

(Millions of yen)



Operating Income (Loss)

(Millions of yen)



Operating Highlights

OVERSEAS SALES

Years ended March 31, 2011 and 2010

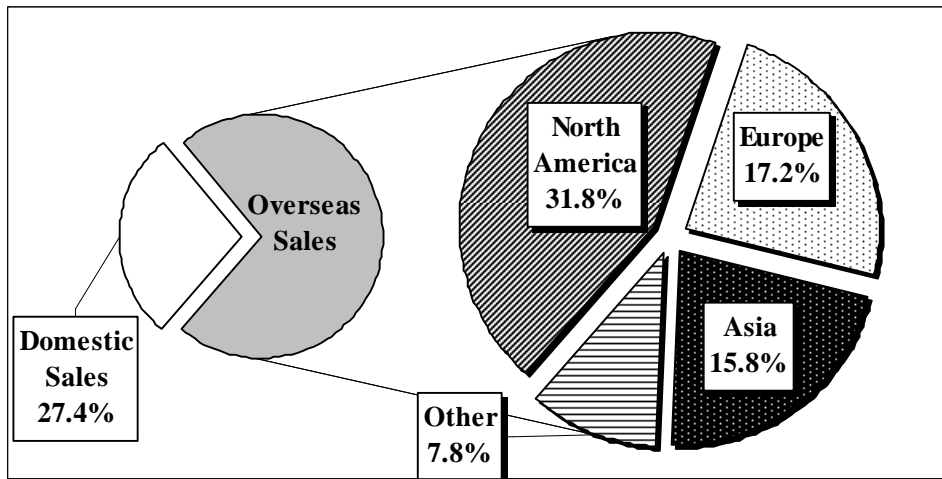
	Millions of yen				Thousands of U.S. dollars
	2011 (Unaudited)		2010		2011 (Unaudited)
North America	¥ 6,648	29.5%	¥ 7,516	31.8%	\$ 79,962
Europe	3,789	16.8	4,061	17.2	45,574
Asia	4,180	18.5	3,747	15.8	50,277
Other	2,132	9.5	1,837	7.8	25,642
Overseas total	16,749	74.3	17,161	72.6	201,455
Domestic total	5,791	25.7	6,479	27.4	69,654
Consolidated total	¥ 22,540	100.0%	¥ 23,640	100.0%	\$ 271,109

Notes:

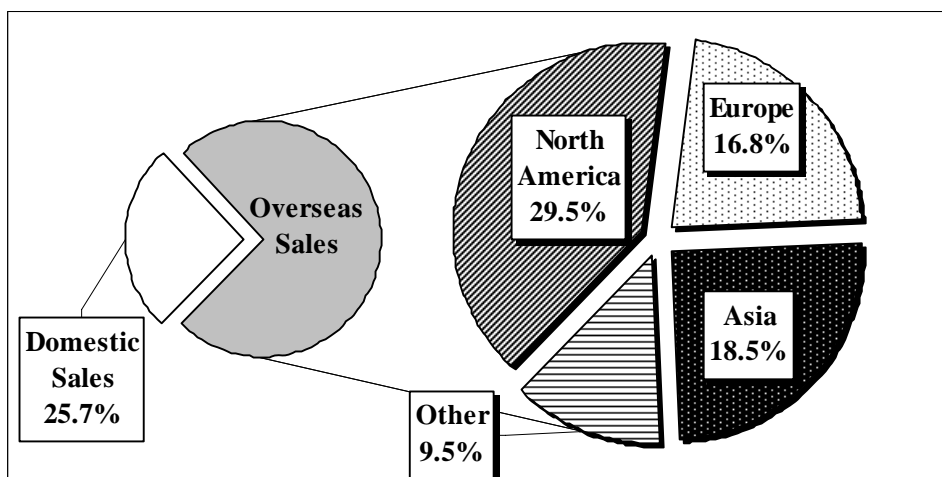
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥83.14 = U.S.\$1.00, the exchange rate prevailing on March 31, 2011.

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

Net Sales 2010



Net Sales 2011



ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2011 and 2010

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
Assets	2011	2010	2011
Current assets:			
Cash and deposits (<i>Notes 4 and 5</i>)	¥ 28,198	¥ 26,251	\$ 339,163
Marketable securities (<i>Notes 4, 5 and 6</i>)	214	200	2,574
Notes and accounts receivable (<i>Note 5</i>)	3,778	4,208	45,441
Allowance for doubtful accounts	(14)	(36)	(168)
	3,764	4,172	45,273
Inventories (<i>Note 7</i>)	4,908	4,459	59,033
Deferred income taxes (<i>Note 9</i>)	257	242	3,091
Other current assets	966	1,286	11,619
Total current assets	38,307	36,610	460,753
 Property, plant and equipment:			
Land	3,834	3,841	46,115
Buildings and structures	5,977	6,031	71,891
Machinery and equipment	11,324	11,408	136,204
Vehicles and other	211	243	2,538
Construction in progress	18	8	216
Property, plant and equipment, at cost	21,364	21,531	256,964
Less accumulated depreciation	(14,224)	(13,927)	(171,085)
Property, plant and equipment, net	7,140	7,604	85,879
 Investments and other assets:			
Investments in securities (<i>Notes 5 and 6</i>)	1,019	1,687	12,256
Other investments	2,603	2,628	31,309
Deferred income taxes (<i>Note 9</i>)	499	619	6,002
Other assets	283	246	3,404
Allowance for doubtful accounts	(44)	(44)	(529)
Total investments and other assets	4,360	5,136	52,442
 Total assets (<i>Note 16</i>)	¥ 49,807	¥ 49,350	\$ 599,074

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

March 31, 2011 and 2010

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2011	2010	2011
Liabilities and net assets			
Current liabilities:			
Accounts payable – trade (Note 5)	¥ 1,280	¥ 1,204	\$ 15,396
Accounts payable – other (Note 14)	396	351	4,763
Accrued income taxes (Note 9)	226	10	2,718
Accrued expenses	918	861	11,042
Warranty reserves	42	60	505
Other current liabilities	106	125	1,275
Total current liabilities	2,968	2,611	35,699
Long-term liabilities:			
Deferred income taxes (Note 9)	13	–	156
Accrued retirement benefits for employees (Note 8)	563	277	6,772
Other long-term liabilities	602	601	7,241
Total long-term liabilities	1,178	878	14,169
 Contingent liabilities (Note 11)			
 Net assets:			
Shareholders' equity (Note 10):			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2011 and 2010	7,081	7,081	85,170
Capital surplus	10,449	10,449	125,679
Retained earnings (Note 18)	28,910	28,770	347,727
Less treasury stock, at cost:			
31,307 shares in 2011 and 31,119 shares in 2010	(102)	(102)	(1,227)
Total shareholders' equity	46,338	46,198	557,349
Accumulated other comprehensive income (loss):			
Unrealized holding gain on securities (Note 6)	12	25	144
Translation adjustments	(689)	(362)	(8,287)
Total accumulated other comprehensive loss	(677)	(337)	(8,143)
Total net assets	45,661	45,861	549,206
Total liabilities and net assets	¥ 49,807	¥ 49,350	\$ 599,074

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Income

Years ended March 31, 2011 and 2010

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2011	2010	2011
Net sales (Note 16)	¥ 22,540	¥ 23,640	\$ 271,109
Cost of sales	13,906	14,942	167,260
Gross profit	8,634	8,698	103,849
 Selling, general and administrative expenses <i>(Notes 13 and 14)</i>	 7,903	 8,267	 95,057
Operating income (Note 16)	731	431	8,792
 Other income (expenses):			
Interest and dividend income	215	163	2,586
(Loss) gain on sales of securities, net (Note 6)	(2)	7	(24)
Loss on impairment of investments in securities	–	(1)	–
Foreign exchange (loss) gain, net	(119)	157	(1,431)
Gain on sales of property, plant and equipment	1	0	12
Sales discounts	(146)	(171)	(1,756)
Other, net	102	125	1,227
	51	280	614
Income before income taxes	782	711	9,406
 Income taxes (Note 9):			
Current	228	142	2,743
Deferred	118	339	1,419
	346	481	4,162
Income before minority interests	436	–	5,244
Net income	¥ 436	¥ 230	\$ 5,244

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

Year ended March 31, 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2011	2010	2011
Income before minority interests	¥ 436	¥ –	\$ 5,244
Other comprehensive loss:			
Unrealized holding loss on securities	(13)	–	(156)
Translation adjustments	(326)	–	(3,921)
	(339)	–	(4,077)
Comprehensive income	¥ 97	¥ –	\$ 1,167
Total comprehensive income attributable to:			
Shareholders of ICOM INCORPORATED	¥ 97	¥ –	\$ 1,167
Minority shareholders of consolidated subsidiaries	–	–	–

See accompanying notes to consolidated financial statements.

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

Years ended March 31, 2011 and 2010

Millions of yen

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Translation adjustments	Total net assets
Balance at March 31, 2009	14,850,000	¥ 7,081	¥ 10,449	¥ 28,984	¥ (101)	¥ (128)	¥ (546)	¥ 45,739
Net income for the year	–	–	–	230	–	–	–	230
Cash dividends	–	–	–	(444)	–	–	–	(444)
Purchases of treasury stock	–	–	–	–	(1)	–	–	(1)
Other changes	–	–	–	–	–	153	184	337
Balance at March 31, 2010	14,850,000	¥ 7,081	¥ 10,449	¥ 28,770	¥ (102)	¥ 25	¥ (362)	¥ 45,861
Net income for the year	–	–	–	436	–	–	–	436
Cash dividends	–	–	–	(296)	–	–	–	(296)
Purchases of treasury stock	–	–	–	–	(0)	–	–	(0)
Other changes	–	–	–	–	–	(13)	(327)	(340)
Balance at March 31, 2011	14,850,000	¥ 7,081	¥ 10,449	¥ 28,910	¥ (102)	¥ 12	¥ (689)	¥ 45,661

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Translation adjustments	Total net assets
Balance at March 31, 2010	\$85,170	\$ 125,679	\$ 346,043	\$ (1,227)	\$ 300	\$ (4,354)	\$ 551,611
Net income for the year	–	–	5,244	–	–	–	5,244
Cash dividends	–	–	(3,560)	–	–	–	(3,560)
Purchases of treasury stock	–	–	–	(0)	–	–	(0)
Other changes	–	–	–	–	(156)	(3,933)	(4,089)
Balance at March 31, 2011	\$85,170	\$ 125,679	\$ 347,727	\$ (1,227)	\$ 144	\$ (8,287)	\$ 549,206

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2011 and 2010

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2011	2010	2011
Operating activities:			
Income before income taxes	¥ 782	¥ 711	\$ 9,406
Adjustments for:			
Depreciation and amortization	976	1,362	11,739
Interest and dividend income	(215)	(163)	(2,586)
Foreign exchange gain, net	(80)	(61)	(962)
Decrease (increase) in notes and accounts receivable	260	(551)	3,127
(Increase) decrease in inventories	(630)	1,265	(7,578)
Increase in accounts payable – trade	260	295	3,127
Other, net	455	362	5,473
Subtotal	1,808	3,220	21,746
Income taxes refunded (paid)	225	(278)	2,707
Net cash provided by operating activities	2,033	2,942	24,453
Investing activities:			
Increase in time deposits with original maturities in excess of three months	(344)	(604)	(4,138)
Proceeds from sales of marketable securities	200	100	2,406
Purchases of property, plant and equipment	(417)	(619)	(5,016)
Purchases of other assets	(130)	(65)	(1,563)
Purchases of investments in securities	(46)	(314)	(553)
Proceeds from sales of investments in securities	476	604	5,725
Interest and dividend income received	214	157	2,574
Other, net	1	(5)	12
Net cash used in investing activities	(46)	(746)	(553)
Financing activities:			
Purchases of treasury stock	(0)	(1)	(0)
Cash dividends paid	(296)	(444)	(3,560)
Net cash used in financing activities	(296)	(445)	(3,560)
Effect of exchange rate changes on cash and cash equivalents	(129)	36	(1,552)
Net increase in cash and cash equivalents	1,562	1,787	18,788
Cash and cash equivalents at beginning of year	24,984	23,197	300,505
Cash and cash equivalents at end of year (Note 4)	¥ 26,546	¥ 24,984	\$ 319,293

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2011

1. Basis of Preparation

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

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

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

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at ¥83.14 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2011. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

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

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

(b) Cash and cash equivalents

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

(c) Foreign currency translation

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

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

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

(d) Marketable securities and investments in securities

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

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

(e) Inventories

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

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

(h) Leased assets

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

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

(i) Allowance for doubtful accounts

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

(j) Warranty reserves

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

(k) Accrued retirement benefits

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

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

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

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

Actuarial gain or loss is being amortized in the year following the year in which the gain or loss is recognized by the straight-line method over ten years, which is within the average remaining years of service of employees.

(l) Hedge accounting

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

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(m) Distribution of retained earnings

Under the Corporation Law of Japan, and the Company's Articles of Incorporation the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to interim financial periods is made by resolution of the Board of Directors. (See Note 18.)

3. Accounting Changes

Effective the year ended March 31, 2011, the Company and its domestic subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18 issued on March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008).

The adoption of this standard had no effect on the consolidated operating results for the year ended March 31, 2011.

Effective the year ended March 31, 2011, the Company has adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force (PITF) No.24 issued on March 10, 2008). The adoption of this standard had no effect on the consolidated operating results for the year ended March 31, 2011.

Effective the year ended March 31, 2011, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010). However, "Valuation and translation adjustments" and "Total valuation and translation adjustments" of prior years are now presented as "Accumulated other comprehensive income (loss)" and "Total accumulated other comprehensive income (loss)," respectively in the consolidated balance sheets.

Total comprehensive income attributable to shareholders of the Company and minority interests and other comprehensive income for the year ended March 31, 2010 were as follows:

	<i>Millions of yen</i>
	2010
Total comprehensive income attributable to:	
Shareholders of ICOM INCORPORATED	¥567
Minority shareholders of consolidated subsidiaries	-
Total	¥567
	<i>Millions of yen</i>
	2010
Other comprehensive income:	
Unrealized holding gain on securities	¥152
Translation adjustments	184
Total	¥336

Effective the year ended March 31, 2011, the Company has adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

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

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Cash and Cash Equivalents

In the preparation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in the consolidated balance sheets at March 31, 2011 and 2010 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Cash and deposits	¥ 28,198	¥ 26,251	\$ 339,163
Marketable securities	214	200	2,574
Subtotal	<u>28,412</u>	26,451	<u>341,737</u>
Time deposits with original maturities in excess of three months	(1,652)	(1,267)	(19,870)
Marketable securities with original maturities in excess of three months	(214)	(200)	(2,574)
Cash and cash equivalents	<u>¥ 26,546</u>	<u>¥ 24,984</u>	<u>\$ 319,293</u>

5. Financial Instruments

(1) General information

i) Policy for financial instruments

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

ii) Types of financial instruments and related risk

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

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

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

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange rate fluctuation risk arising from cash and deposits denominated in foreign currencies. Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in Note 12.

iii) Risk management for financial instruments

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

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

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

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

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

(1) General information (continued)

iii) Risk management for financial instruments (continued)

(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 a same manner.

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 12 are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Estimated fair value of financial instruments

The carrying value, fair value and unrealized gains (losses) of the financial instruments on the consolidated balance sheets as of March 31, 2011 and 2010 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note ii) below).

	<i>Millions of yen</i>					
	2011			2010		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Assets						
(1) Cash and deposits	¥ 28,198	¥ 28,198	¥ -	¥ 26,251	¥ 26,251	¥ -
(2) Notes and accounts receivable	3,778	3,778	-	4,208	4,208	-
(3) Marketable securities and investments in securities	1,166	1,166	-	1,757	1,757	-
Total assets	¥ 33,142	¥ 33,142	¥ -	¥ 32,216	¥ 32,216	¥ -
Liabilities						
(1) Accounts payable - trade	¥ 1,280	¥ 1,280	¥ -	¥ 1,204	¥ 1,204	¥ -
Total liabilities	¥ 1,280	¥ 1,280	¥ -	¥ 1,204	¥ 1,204	¥ -
Derivative transactions (*)	¥ (0)	¥ (0)	¥ -	¥ (1)	¥ (1)	¥ -

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

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

	<i>Thousands of U.S. dollars</i>		
	2011		
	Carrying value	Fair value	Unrealized gain (loss)
Assets			
(1) Cash and deposits	\$ 339,163	\$ 339,163	\$ -
(2) Notes and accounts receivable	45,441	45,441	-
(3) Marketable securities and investments in securities	14,025	14,025	-
Total assets	\$ 398,629	\$ 398,629	\$ -
Liabilities			
(1) Accounts payable - trade	\$ 15,396	\$ 15,396	\$ -
Total liabilities	\$ 15,396	\$ 15,396	\$ -
Derivative transactions (*)	\$ (0)	\$ (0)	\$ -

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

Notes:

- i) Methods to determine the market 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 approximates the fair value.

- (3) Marketable securities and investments in securities

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

Liabilities

- (1) Accounts payable - trade

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

Derivative Transactions

Please refer to Note 12.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2011	2010	2011
Unlisted stocks	¥ 67	¥ 130	\$ 806

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

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

iii) The redemption schedule for other securities with maturity dates

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

	<i>Millions of yen</i>							
	2011				2010			
	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	¥ 28,198	¥ –	¥ –	¥ –	¥ 26,251	¥ –	¥ –	¥ –
Notes and accounts receivable	3,778	–	–	–	4,208	–	–	–
Marketable securities and investments in securities: Other securities with maturity dates								
Corporate bonds	215	200	200	200	200	424	300	400
Total	¥ 32,191	¥ 200	¥ 200	¥ 200	¥ 30,659	¥ 424	¥ 300	¥ 400

	<i>Thousands of U.S. dollars</i>			
	2011			
	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	\$ 339,163	\$ –	\$ –	\$ –
Notes and accounts receivable	45,441	–	–	–
Marketable securities and investments in securities: Other securities with maturity dates				
Corporate bonds	2,586	2,406	2,406	2,406
Total	\$ 387,190	\$ 2,406	\$ 2,406	\$ 2,406

(Additional information)

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

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at March 31, 2011 and 2010 are summarized as follows:

	<i>Millions of yen</i>					
	2011			2010		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 330	¥ 357	¥ 27	¥ 330	¥ 410	¥ 80
Corporate bonds	610	615	5	317	323	6
Other	-	-	-	35	43	8
Subtotal	<u>940</u>	<u>972</u>	<u>32</u>	<u>682</u>	<u>776</u>	<u>94</u>
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	1	1	(0)	33	24	(9)
Corporate bonds	200	193	(7)	996	957	(39)
Other	-	-	-	-	-	-
Subtotal	<u>201</u>	<u>194</u>	<u>(7)</u>	<u>1,029</u>	<u>981</u>	<u>(48)</u>
Total	<u>¥ 1,141</u>	<u>¥ 1,166</u>	<u>¥ 25</u>	<u>¥ 1,711</u>	<u>¥ 1,757</u>	<u>¥ 46</u>

	<i>Thousands of U.S. dollars</i>		
	2011		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 3,969	\$ 4,294	\$ 325
Corporate bonds	7,337	7,397	60
Other	-	-	-
Subtotal	<u>11,306</u>	<u>11,691</u>	<u>385</u>
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	12	12	(0)
Corporate bonds	2,406	2,321	(85)
Other	-	-	-
Subtotal	<u>2,418</u>	<u>2,333</u>	<u>(85)</u>
Total	<u>\$ 13,724</u>	<u>\$ 14,024</u>	<u>\$ 300</u>

Sales of other securities for the years ended March 31, 2011 and 2010 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2011	2010	2011
	¥	¥	\$
Sales	176	494	2,117
Aggregate gain	10	7	120
Aggregate loss	(12)	(0)	(144)

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Marketable Securities and Investments in Securities (continued)

The carrying value of investments in non-marketable securities at March 31, 2011 and 2010 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Unlisted equity securities (except for equity securities traded on the over-the-counter market)	¥ 67	¥ 65	\$ 806
Total	<u>¥ 67</u>	<u>¥ 65</u>	<u>\$ 806</u>

7. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Merchandise and finished products	¥ 2,666	¥ 2,740	\$ 32,066
Work in process	74	87	890
Raw materials and supplies	2,168	1,632	26,077
Total	<u>¥ 4,908</u>	<u>¥ 4,459</u>	<u>\$ 59,033</u>

8. Accrued Retirement Benefits for Employees

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

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

The funded and accrued status of the employees' defined benefit pension plans of the Company and its domestic subsidiaries and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2011 and 2010 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Retirement benefit obligation at end of year	¥ (3,562)	¥ (3,639)	\$ (42,843)
Plan assets at fair value at end of year	2,291	2,340	27,556
Unfunded retirement benefit obligation	(1,271)	(1,299)	(15,287)
Unrecognized net retirement benefit obligation at transition	79	102	950
Unrecognized actuarial loss	638	931	7,674
Unrecognized prior service cost	(9)	(11)	(109)
Accrued retirement benefits for employees	<u>¥ (563)</u>	<u>¥ (277)</u>	<u>\$ (6,772)</u>

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

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Accrued Retirement Benefits for Employees (continued)

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2011	2010	2011
Service cost	¥ 204	¥ 193	\$ 2,454
Interest cost	69	66	830
Expected return on plan assets	(44)	(37)	(529)
Amortization of prior service cost	(2)	(2)	(24)
Amortization of retirement benefit obligation at transition	23	20	276
Amortization of actuarial loss	167	194	2,009
Retirement benefit expenses, net	¥ 417	¥ 434	\$ 5,016

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

The assumptions used in accounting for the above plans were a discount rate of 2.0% and an expected rate of return on plan assets of 2.0% for the years ended March 31, 2011 and 2010.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

9. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended March 31, 2011 and 2010. 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, 2011 and 2010 as a percentage of income before income taxes are as follows:

	<u>2011</u>	<u>2010</u>
Statutory tax rate	40.6%	40.6%
Permanently non-deductible expenses	1.8	2.5
Per capita portion of inhabitant's taxes	2.7	2.9
Unrealized profit on inventories	3.0	25.3
Differences in tax rates applicable to overseas subsidiaries	(4.0)	(4.4)
Other	0.1	0.7
Effective tax rates	44.2%	67.6%

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Deferred tax assets:			
Accrued retirement benefits for employees	¥ 227	¥ 112	\$ 2,730
Long-term accounts payable-other	207	207	2,490
Accrued bonuses	149	145	1,792
Net operating loss carryforward	38	263	457
Deferred revenue	35	39	421
Unrealized gain on inventories	24	-	289
Accrued enterprise tax	23	-	277
Allowance for doubtful accounts	21	30	252
Devaluation of investments in securities	-	35	-
Loss on devaluation of inventories	-	30	-
Other	97	83	1,167
Total deferred tax assets	<u>821</u>	<u>944</u>	<u>9,875</u>
Deferred tax liabilities:			
Depreciation	(47)	(33)	(565)
Reserve for special depreciation	(15)	(19)	(180)
Other	(16)	(31)	(193)
Total deferred tax liabilities	<u>(78)</u>	<u>(83)</u>	<u>(938)</u>
Net deferred tax assets	¥ 743	¥ 861	\$ 8,937

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

10. Shareholders' Equity

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

The Company's legal reserve included in retained earnings at March 31, 2011 and 2010 amounted to ¥293 million (\$3,524 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, 2011 and 2010 are summarized as follows:

Number of shares				
2011				
	March 31, 2010	Increase	Decrease	March 31, 2011
Treasury stock	31,119	188	-	31,307
Number of shares				
2010				
	March 31, 2009	Increase	Decrease	March 31, 2010
Treasury stock	30,839	280	-	31,119

11. Contingent Liabilities

At March 31, 2011, the Company was contingently liable as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2011	2011
Notes discounted with a bank	¥ 12	\$ 144

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

12. Derivatives and Hedging Activities

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting at March 31, 2011 and 2010 is summarized as follows:

Currency-related transactions

			<i>Millions of yen</i>				
			<u>2011</u>			<u>2010</u>	
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value	Contract value (notional principal amount) over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts						
exchange contracts	Selling: USD	Deposits denominated in foreign currencies	¥ 831	¥ –	¥ (0)	¥ 557	¥ –
	Total		<u>¥ 831</u>	<u>¥ –</u>	<u>¥ (0)</u>	<u>¥ 557</u>	<u>¥ (1)</u>

			<i>Thousands of U.S. dollars</i>		
			<u>2011</u>		
Method of hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount) over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts				
exchange contracts	Selling: USD	Deposits denominated in foreign currencies	\$ 9,995	\$ –	\$ (0)
	Total		<u>\$ 9,995</u>	<u>\$ –</u>	<u>\$ (0)</u>

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

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2011	2010	2011
Research and development costs	¥ 2,547	¥ 2,763	\$ 30,635

14. Related Party Transactions

Principal transactions between the Company and a related party for the years ended March 31, 2011 and 2010 were summarized as follows:

[Corporate Auditor]

Name	Description	Equity ownership percentage	Nature of transaction	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
				2011	2010	2011
Katsunori Sugimoto	The Company's corporate auditor and a patent attorney	0.01%	Payment of patent attorney's fee	¥ 13	¥ 14	\$ 156

Payments of patent attorney's fees were determined based on the same terms as third-party transactions.

The balances due to a related party at March 31, 2011 and 2010 were as follows:

Account name	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2011	2010	2011
Due to Katsunori Sugimoto	¥ 2	¥ 2	\$ 24

15. Amounts per Share

Amounts per share at March 31, 2011 and 2010 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2011	2010	2011
Net assets	¥ 3,081.33	¥ 3,094.79	\$ 37.06
Net income:			
Basic	29.44	15.55	0.35
Diluted	-	-	-
Cash dividends	20.00	20.00	0.24

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

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

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

Diluted net income per share for the years ended March 31, 2011 and 2010 was not presented since no outstanding dilutive securities existed at March 31, 2011 and 2010.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

16. Segment Information

(1) Segment information for the year ended March 31, 2011

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 a comprehensive strategy for dealing with products and operate regional business.

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, "Europe," which primarily includes Germany and Spain, and "Asia and Oceania" which primarily includes Australia and Taiwan.

ii) Calculation methods used for sales, profit 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 1. Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices applied in transactions with third parties.

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

Information by reporting segment for the year ended March 31, 2011 is as follow:

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

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Notes to Consolidated Financial Statements

16. Segment Information (continued)

(1) Segment information for the year ended March 31, 2011 (continued)

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

Under the new segmentation policy applied by the Company, information by reporting segment for the year ended March 31, 2010 would have been as follow:

	Millions of yen						
	2010						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating (loss) income							
Sales to third parties	¥ 13,494	¥ 7,831	¥ 1,218	¥ 1,097	¥ 23,640	¥ –	¥ 23,640
Intersegment sales	5,684	12	1	202	5,899	(5,899)	–
Net sales	19,178	7,843	1,219	1,299	29,539	(5,899)	23,640
Operating expenses	19,360	7,667	1,205	1,170	29,402	(6,193)	23,209
Operating (loss) income	¥ (182)	¥ 176	¥ 14	¥ 129	¥ 137	¥ 294	¥ 431
II. Total assets	¥ 43,518	¥ 5,154	¥ 857	¥ 2,141	¥ 51,670	¥ (2,320)	¥ 49,350
III. Other Items							
Depreciation and amortization	¥ 1,286	¥ 63	¥ 3	¥ 10	¥ 1,362	¥ –	¥ 1,362
Investments in affiliated company	63	–	–	–	63	–	63
Increase in tangible / intangible fixed assets	395	45	4	4	448	–	448

	Thousands of U.S. dollars						
	2011						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income							
Sales to third parties	\$ 160,043	\$ 83,041	\$ 12,762	\$ 15,263	\$ 271,109	\$ –	\$ 271,109
Intersegment sales	78,434	168	12	3,272	81,886	(81,886)	–
Net sales	238,477	83,209	12,774	18,535	352,995	(81,886)	271,109
Operating expenses	232,030	82,259	12,401	16,767	343,457	(81,140)	262,317
Operating income	\$ 6,447	\$ 950	\$ 373	\$ 1,768	\$ 9,538	\$ (746)	\$ 8,792
II. Total assets	\$ 531,718	\$ 58,443	\$ 9,815	\$ 30,058	\$ 630,034	\$ (30,960)	\$ 599,074
III. Other items							
Depreciation and amortization	\$ 10,969	\$ 625	\$ 24	\$ 121	\$ 11,739	\$ –	\$ 11,739
Investments in affiliated company	686	–	–	–	686	–	686
Increase in tangible / intangible fixed assets	6,675	469	12	25	7,181	–	7,181

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Notes to Consolidated Financial Statements

16. Segment Information (continued)

(1) Segment information for the year ended March 31, 2011 (continued)

iv) Regional information

(a) Sales

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2011	2011
Japan	¥ 5,791	\$ 69,654
USA	5,810	69,883
North America	838	10,079
Europe	3,789	45,574
Asia	4,180	50,277
Other	2,132	25,642
Total	¥ 22,540	\$ 271,109

(b) Property, plant and equipment

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2011	2011
Japan	¥ 6,608	\$ 79,480
North America	327	3,933
Europe	7	84
Asia	198	2,382
Total	¥ 7,140	\$ 85,879

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Notes to Consolidated Financial Statements

16. Segment Information (continued)

(2) Segment information for the year ended March 31, 2010

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

i) Business Segments

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

	<i>Millions of yen</i>				
	2010				
	Radio	Computer	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)					
Sales to third parties	¥ 22,351	¥ 1,289	¥ 23,640	¥ –	¥ 23,640
Intersegment sales	–	–	–	–	–
Net sales	22,351	1,289	23,640	–	23,640
Operating expenses	21,853	1,356	23,209	–	23,209
Operating income (loss)	¥ 498	¥ (67)	¥ 431	¥ –	¥ 431
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 47,302	¥ 2,048	¥ 49,350	¥ –	¥ 49,350
Depreciation and amortization	¥ 1,313	¥ 49	¥ 1,362	¥ –	¥ 1,362
Capital expenditures	¥ 434	¥ 15	¥ 449	¥ –	¥ 449

ii) Geographical Segments

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

	<i>Millions of yen</i>						
	2010						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating (loss) income							
Sales to third parties	¥ 13,494	¥ 7,831	¥ 1,218	¥ 1,097	¥ 23,640	¥ –	¥ 23,640
Intersegment sales	5,684	12	1	202	5,899	(5,899)	–
Net sales	19,178	7,843	1,219	1,299	29,539	(5,899)	23,640
Operating expenses	19,360	7,667	1,205	1,170	29,402	(6,193)	23,209
Operating (loss) income	¥ (182)	¥ 176	¥ 14	¥ 129	¥ 137	¥ 294	¥ 431
II. Total assets	¥ 43,518	¥ 5,154	¥ 857	¥ 2,141	¥ 51,670	¥ (2,320)	¥ 49,350

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

16. Segment Information (continued)

(2) Segment information for the year ended March 31, 2010 (continued)

iii) Overseas Sales

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

	<i>Millions of yen</i>	
	2010	
North America	¥ 7,516	31.8%
Europe	4,061	17.2%
Asia	3,747	15.8%
Other	1,837	7.8%
Sales to overseas customers	¥ 17,161	72.6%
Consolidated net sales	¥ 23,640	100.0%

17. Significant Subsidiaries and Affiliate

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

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

18. 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, 2011, was approved at the Company's general shareholders' meeting held on June 28, 2011:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2011	2011
Cash dividends (¥10 = U.S.\$0.12 per share)	¥ 148	\$ 1,780

Report of Independent Auditors

The Board of Directors
ICOM INCORPORATED

We have audited the accompanying consolidated balance sheets of ICOM INCORPORATED and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICOM INCORPORATED and consolidated subsidiaries at March 31, 2011 and 2010, 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, 2011 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.

Ernst & Young ShinNihon LLC
June 28, 2011

BOARD OF DIRECTORS AND AUDITORS

Tokuzo Inoue
Chairman and Representative Director

Tsutomu Fukui
President and Representative Director

Nobuo Ogawa
Executive Managing Director

Kiyoshi Sakurai
Director

Taichiro Itoyama
Director (part-time)

Toshihiro Wada
Auditor (full-time)

Hiroshi Umemoto
Auditor

Katsunori Sugimoto
Auditor

EXECUTIVE OFFICERS

Masataka Harima

Masanori Kamoto

Hiroshi Shimizu

Kikuji Okumura

Seishi Yamazaki

Hiroshi Nakaoka

Masakazu Kaneko

Takayuki Watanabe

Takashi Tsujiuchi

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URL <http://www.icomamerica.com/>

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Fax: 49-6196-76685-50
URL <http://www.icomeurope.com/>

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CORPORATE FACTS

(As of March 31, 2011)
Established: July 1964
Employees: 613
Paid-in capital: ¥7,081 million
Authorized shares: 34,000,000
Issued and outstanding shares:
14,850,000
Shareholders: 3,958
Stock listing: Tokyo Stock Exchange
and Osaka Securities Exchange

(As of March 31, 2011)

Major shareholders	Thousands of shares
State Street Bank and Trust Company	2,428
Tokuzo Inoue	1,868
Gigapalace Inc.	1,472
The Icom Foundation	1,000
State Street Bank and Trust Company	865
Kenwood Corporation	445
The Master Trust Bank of Japan, Ltd.	353
Meiji Yasuda Life Insurance Company	326
Japan Trustee Service Bank, Ltd.	267
Bank of Tokyo-Mitsubishi UFJ, Ltd.	243