ANNUAL REPORT 2013

YEAR ENDED MARCH 31, 2013

ICOM INCORPORATED

Financial Highlights

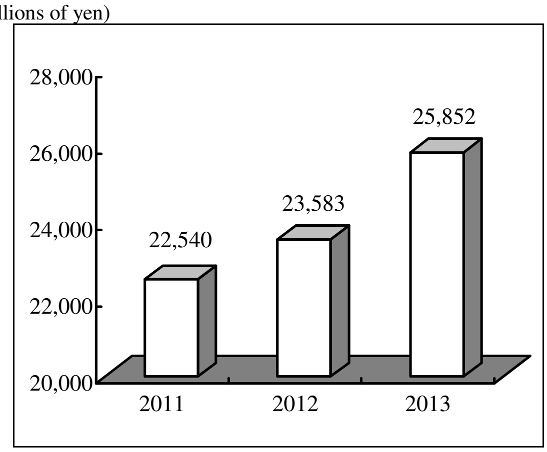
ICOM INCORPORATED AND SUBSIDIARIES

Years ended March 31, 2013, 2012 and 2011

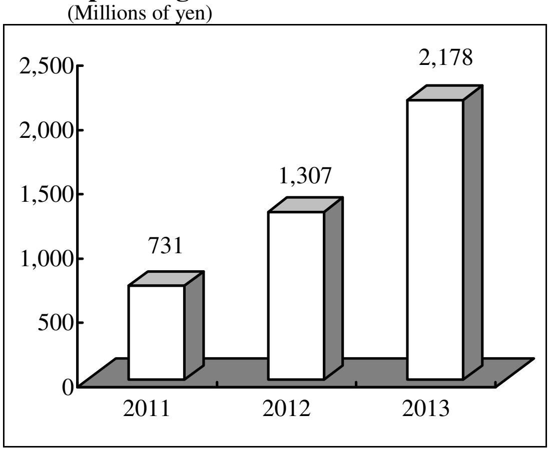
	Millions of yen			*Thousands of U.S. dollars*
	2013	2012	2011	**2013**
Net sales	**¥ 25,852**	¥ 23,583	¥ 22,540	**$ 274,904**
Operating income	**2,178**	1,307	731	**23,160**
Income before income taxes	**3,211**	1,510	782	**34,145**
Net income	**2,228**	1,096	436	**23,692**
Total assets	**¥ 54,866**	¥ 51,213	¥ 49,807	**$ 583,433**
Amounts per share:	*Yen*			*U.S. dollars*
Net assets	**¥ 3,313.79**	¥ 3,128.22	¥ 3,081.33	**$ 35.24**
Net income – basic	**150.37**	73.94	29.44	**1.60**
Net income – diluted	**–**	–	–	**–**
Cash dividends	**30.00**	20.00	20.00	**0.32**

Notes:
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥94.04 = U.S.$1.00, the exchange rate prevailing on March 31, 2013.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

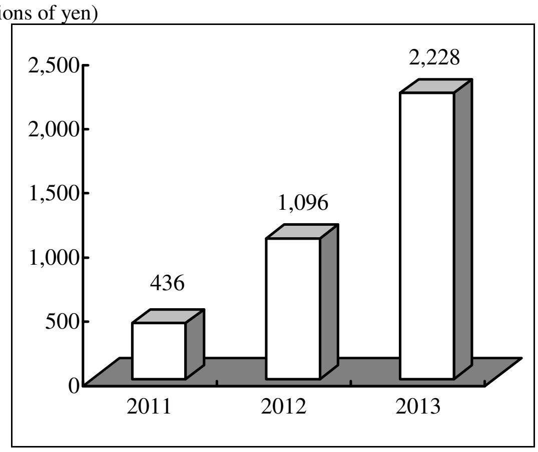
Net Sales
(Millions of yen)



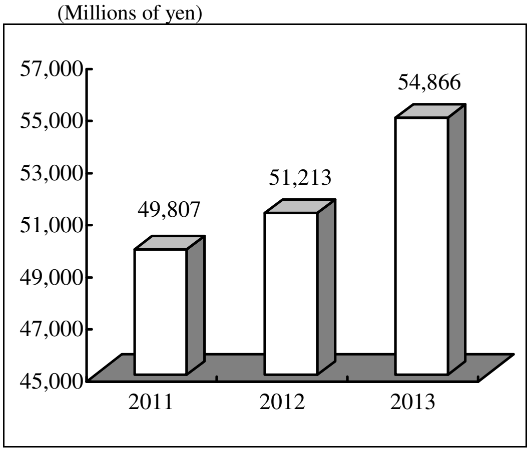
Operating Income
(Millions of yen)



Net Income
(Millions of yen)



Total Assets
(Millions of yen)



Operating Highlights

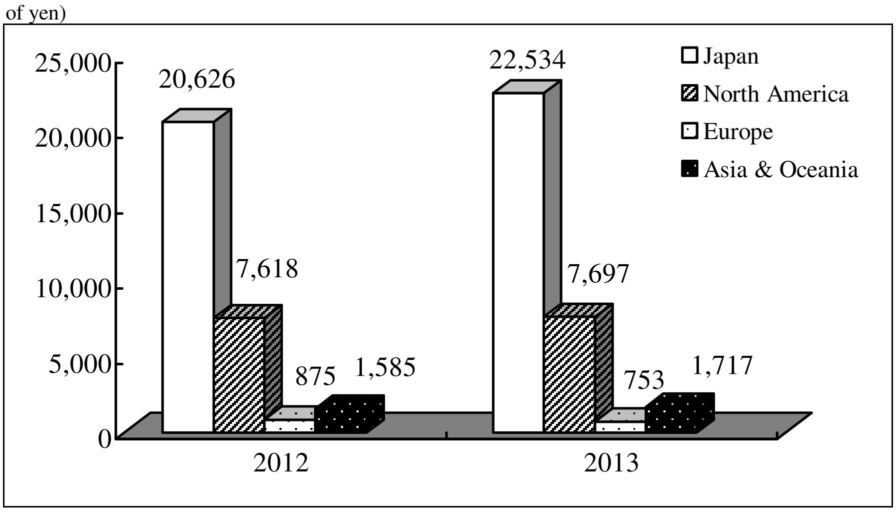
GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2013 and 2012

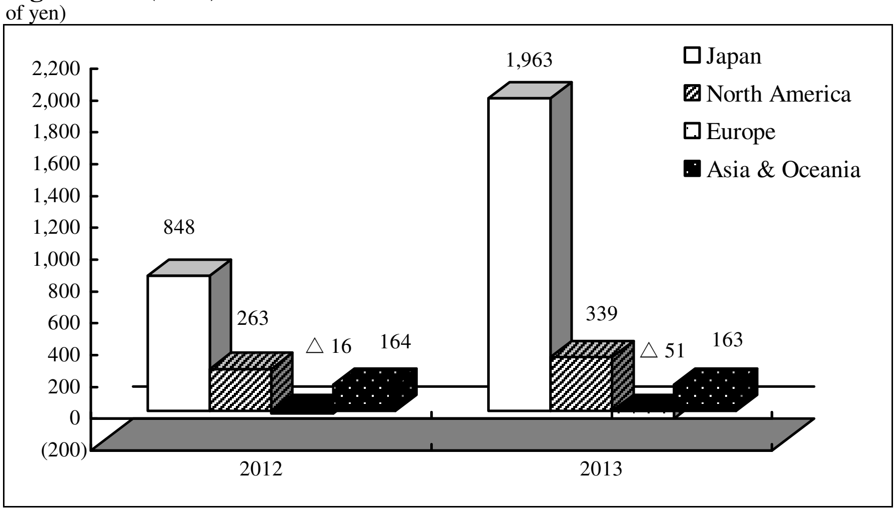
	Millions of yen				*Thousands of U.S. dollars*	
	Net sales		Operating income (loss)		Net sales	Operating income
	2013	2012	**2013**	2012	**2013**	**2013**
Japan	**¥ 22,534**	¥ 20,626	**¥ 1,963**	¥ 848	**$ 239,621**	**$ 20,874**
North America	**7,697**	7,618	**339**	263	**81,848**	**3,605**
Europe	**753**	875	**(51)**	(16)	**8,007**	**(543)**
Asia & Oceania	**1,717**	1,585	**163**	164	**18,259**	**1,734**
Eliminations	**(6,849)**	(7,121)	**(236)**	48	**(72,831)**	**(2,510)**
Consolidated total	**¥ 25,852**	¥ 23,583	**¥ 2,178**	¥ 1,307	**$ 274,904**	**$ 23,160**

Notes:
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥94.04 = U.S.$1.00, the exchange rate prevailing on March 31, 2013.
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

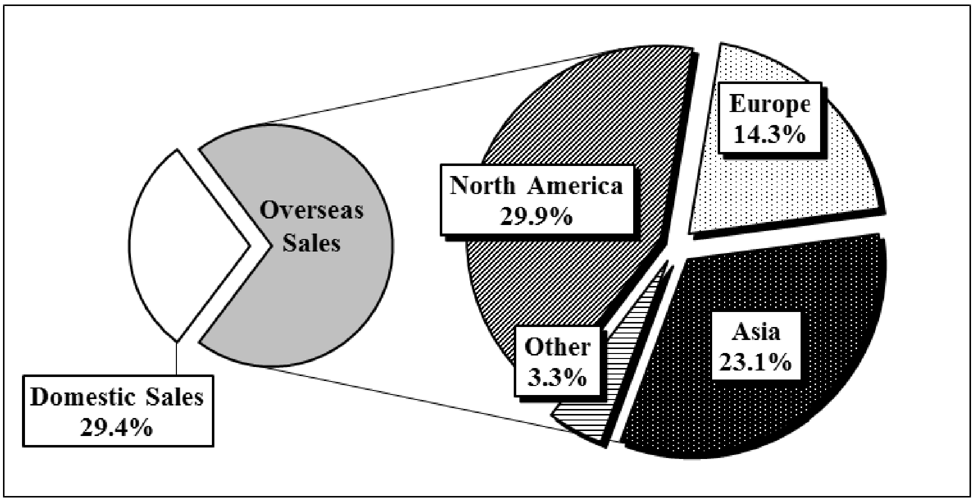
OVERSEAS SALES

Years ended March 31, 2013 and 2012

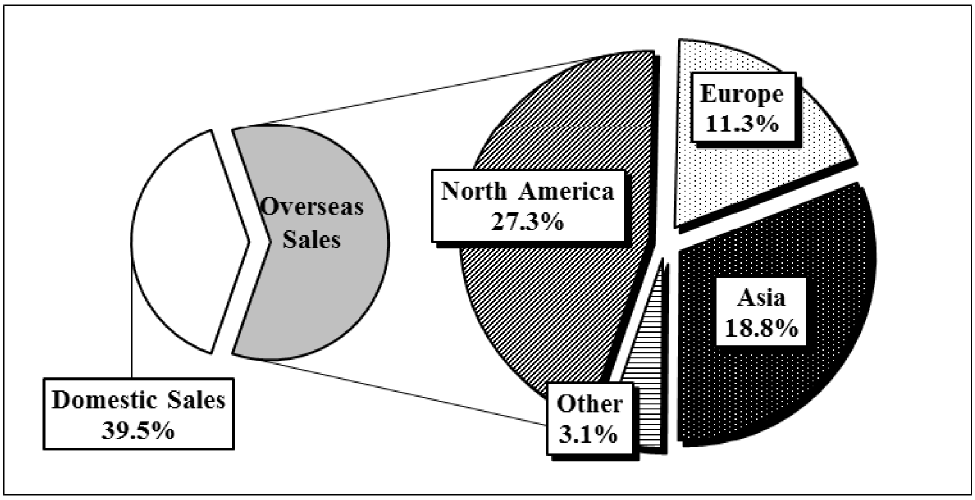
	Millions of yen				Thousands of U.S. dollars
	2013 (Unaudited)		2012		**2013 (Unaudited)**
North America	**¥ 7,069**	**27.3%**	¥ 7,054	29.9%	**$ 75,170**
Europe	**2,918**	**11.3**	3,364	14.3	**31,029**
Asia	**4,862**	**18.8**	5,439	23.1	**51,701**
Other	**792**	**3.1**	785	3.3	**8,422**
Overseas total	**15,641**	**60.5**	16,642	70.6	**166,322**
Domestic total	**10,211**	**39.5**	6,941	29.4	**108,582**
Consolidated total	**¥ 25,852**	**100.0%**	¥ 23,583	100.0%	**$ 274,904**

Notes:
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥94.04 = U.S.$1.00, the exchange rate prevailing on March 31, 2013.
2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

Net Sales 2012



Net Sales 2013



ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2013**	2012	**2013**
Current assets:			
Cash and deposits *(Notes 3 and 5)*	**¥ 26,047**	¥ 27,543	**$ 276,978**
Marketable securities *(Notes 3, 5 and 6)*	**–**	199	**–**
Notes and accounts receivable *(Notes 4 and 5)*	**6,893**	4,805	**73,299**
Allowance for doubtful accounts	**(27)**	(18)	**(287)**
	6,866	4,787	**73,012**
Inventories *(Note 7)*	**5,838**	5,370	**62,080**
Deferred income taxes *(Note 9)*	**591**	456	**6,284**
Other current assets	**2,334**	1,055	**24,819**
Total current assets	**41,676**	39,410	**443,173**
Property, plant and equipment:			
Land	**4,119**	3,831	**43,800**
Buildings and structures	**6,390**	5,988	**67,950**
Machinery and equipment	**11,535**	11,428	**122,661**
Vehicles and other	**216**	201	**2,297**
Construction in progress	**33**	13	**351**
Property, plant and equipment, at cost	**22,293**	21,461	**237,059**
Less accumulated depreciation	**(14,629)**	(14,436)	**(155,562)**
Property, plant and equipment, net *(Note 16)*	**7,664**	7,025	**81,497**
Investments and other assets:			
Investments in securities *(Notes 5 and 6)*	**1,966**	1,381	**20,906**
Other investments	**2,926**	2,748	**31,114**
Deferred income taxes *(Note 9)*	**588**	500	**6,253**
Other assets	**139**	202	**1,479**
Allowance for doubtful accounts	**(93)**	(53)	**(989)**
Total investments and other assets	**5,526**	4,778	**58,763**
Total assets *(Note 16)*	**¥ 54,866**	¥ 51,213	**$ 583,433**

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and net assets	**2013**	2012	**2013**
Current liabilities:			
Accounts payable – trade *(Note 5)*	**¥ 1,076**	¥ 1,386	**$ 11,442**
Accounts payable – other	**446**	584	**4,743**
Accrued income taxes *(Note 9)*	**912**	411	**9,698**
Accrued expenses	**1,091**	952	**11,602**
Warranty reserves	**47**	42	**500**
Other current liabilities	**650**	120	**6,912**
Total current liabilities	**4,222**	3,495	**44,897**
Long-term liabilities:			
Accrued retirement benefits for employees *(Note 8)*	**876**	740	**9,315**
Deferred income taxes *(Note 9)*	**22**	20	**234**
Other long-term liabilities	**641**	602	**6,816**
Total long-term liabilities	**1,539**	1,362	**16,365**
Net assets:			
Shareholders' equity *(Note 10)*:			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2013 and 2012	**7,081**	7,081	**75,298**
Capital surplus	**10,449**	10,449	**111,112**
Retained earnings *(Note 18)*	**31,641**	29,709	**336,463**
Less treasury stock, at cost:			
31,583 shares in 2013 and 31,470 shares in 2012	**(103)**	(102)	**(1,096)**
Total shareholders' equity	**49,068**	47,137	**521,777**
Accumulated other comprehensive income (loss) *(Note 13)*:			
Unrealized holding loss on securities *(Note 6)*	**(48)**	(21)	**(510)**
Translation adjustments	**85**	(760)	**904**
Total accumulated other comprehensive income (loss)	**37**	(781)	**394**
Total net assets	**49,105**	46,356	**522,171**
Total liabilities and net assets	**¥ 54,866**	¥ 51,213	**$ 583,433**

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Income

Years ended March 31, 2013 and 2012

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2013	2012	**2013**
Net sales *(Note 16)*	**¥25,852**	¥23,583	**$ 274,904**
Cost of sales	**15,134**	14,383	**160,932**
Gross profit	**10,718**	9,200	**113,972**
Selling, general and administrative expenses *(Notes 12 and 14)*	**8,540**	7,893	**90,812**
Operating income *(Note 16)*	**2,178**	1,307	**23,160**
Other income (expenses):			
Interest and dividend income	**235**	232	**2,499**
Gain on sales of securities, net *(Note 6)*	**4**	0	**43**
Foreign exchange gain, net	**793**	39	**8,432**
Gain on sales of property, plant and equipment	**57**	1	**606**
Sales discounts	**(155)**	(147)	**(1,648)**
Other, net	**99**	78	**1,053**
	1,033	203	**10,985**
Income before income taxes	**3,211**	1,510	**34,145**
Income taxes *(Note 9)*:			
Current	**1,186**	589	**12,612**
Deferred	**(203)**	(175)	**(2,159)**
	983	414	**10,453**
Net income	**¥ 2,228**	¥ 1,096	**$ 23,692**

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net income	**¥ 2,228**	¥ 1,096	**$ 23,692**
Other comprehensive income (loss) *(Note 13)*:			
Unrealized holding loss on securities	**(27)**	(33)	**(287)**
Translation adjustments	**845**	(71)	**8,986**
Total other comprehensive income (loss)	**818**	(104)	**8,699**
Comprehensive income	**¥ 3,046**	¥ 992	**$32,391**
Total comprehensive income attributable to:			
Shareholders of ICOM INCORPORATED	**¥ 3,046**	¥ 992	**$ 32,391**

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

		Millions of yen						
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding loss on securities	Translation adjustments	Total net assets
Balance at April 1, 2011	14,850,000	¥7,081	¥ 10,449	¥ 28,910	¥ (102)	¥ 12	¥ (689)	¥ 45,661
Net income for the year	–	–	–	1,096	–	–	–	1,096
Cash dividends	–	–	–	(297)	–	–	–	(297)
Purchases of treasury stock	–	–	–	–	(0)	–	–	(0)
Sales of treasury stock	–	–	–	–	0	–	–	0
Other changes	–	–	–	–	–	(33)	(71)	(104)
Balance at April 1, 2012	14,850,000	¥7,081	¥ 10,449	¥ 29,709	¥ (102)	¥ (21)	¥ (760)	¥ 46,356
Net income for the year	**–**	**–**	**–**	**2,228**	**–**	**–**	**–**	**2,228**
Cash dividends	**–**	**–**	**–**	**(296)**	**–**	**–**	**–**	**(296)**
Purchases of treasury stock	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Other changes	**–**	**–**	**–**	**–**	**–**	**(27)**	**845**	**818**
Balance at March 31, 2013	**14,850,000**	**¥7,081**	**¥ 10,449**	**¥ 31,641**	**¥ (103)**	**¥ (48)**	**¥ 85**	**¥ 49,105**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding loss on securities	Translation adjustments	Total net assets
Balance at April 1, 2012	$75,298	$ 111,112	$315,919	$ (1,085)	$ (223)	$ (8,082)	$492,939
Net income for the year	**–**	**–**	**23,692**	**–**	**–**	**–**	**23,692**
Cash dividends	**–**	**–**	**(3,148)**	**–**	**–**	**–**	**(3,148)**
Purchases of treasury stock	**–**	**–**	**–**	**(11)**	**–**	**–**	**(11)**
Other changes	**–**	**–**	**–**	**–**	**(287)**	**8,986**	**8,699**
Balance at March 31, 2013	**$75,298**	**$ 111,112**	**$336,463**	**$ (1,096)**	**$ (510)**	**$ 904**	**$522,171**

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2013	2012	**2013**
Operating activities:			
Income before income taxes	**¥ 3,211**	¥ 1,510	**$ 34,145**
Adjustments for:			
Depreciation and amortization	**973**	1,025	**10,347**
Interest and dividend income	**(235)**	(232)	**(2,499)**
Foreign exchange gain, net	**(124)**	(118)	**(1,319)**
Increase in notes and accounts receivable	**(2,243)**	(1,091)	**(23,852)**
Increase in inventories	**(176)**	(483)	**(1,872)**
(Decrease) increase in accounts payable – trade	**(573)**	127	**(6,093)**
Other, net	**(411)**	343	**(4,369)**
Subtotal	**422**	1,081	**4,488**
Income taxes paid	**(704)**	(404)	**(7,486)**
Net cash (used in) provided by operating activities	**(282)**	677	**(2,998)**
Investing activities:			
Increase in time deposits with original maturities in excess of three months	**(128)**	(203)	**(1,361)**
Proceeds from sales of marketable securities	**200**	214	**2,127**
Purchases of property, plant and equipment	**(1,586)**	(760)	**(16,865)**
Purchases of other assets	**(35)**	(51)	**(372)**
Purchases of investments in securities	**(823)**	(817)	**(8,752)**
Proceeds from sales of investments in securities	**209**	214	**2,222**
Interest and dividend income received	**234**	227	**2,488**
Other, net	**258**	(127)	**2,744**
Net cash used in investing activities	**(1,671)**	(1,303)	**(17,769)**
Financing activities:			
Purchases of treasury stock	**(1)**	(0)	**(11)**
Sales of treasury stock	**–**	0	**–**
Cash dividends paid	**(296)**	(297)	**(3,148)**
Net cash used in financing activities	**(297)**	(297)	**(3,159)**
Effect of exchange rate changes on cash and cash equivalents	**336**	69	**3,573**
Net decrease in cash and cash equivalents	**(1,914)**	(854)	**(20,353)**
Cash and cash equivalents at beginning of year	**25,692**	26,546	**273,203**
Cash and cash equivalents at end of year *(Note 3)*	**¥ 23,778**	¥ 25,692	**$ 252,850**

See accompanying notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2013

1. Basis of Preparation

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

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

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at ¥94.04 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2013. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

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

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

(b) Cash and cash equivalents

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

(c) Foreign currency translation

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

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

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

(d) Marketable securities and investments in securities

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

Securities held by the Company and its subsidiaries including equity investments in an affiliate, which are not accounted for on an equity basis, are all classified as "other securities" and have been accounted for as outlined above.

(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.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

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

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

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

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, except if it is anticipated that this software will contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of 3 years or 5 years. Small assets owned by the Company and its domestic subsidiaries, which are valued at ¥100 thousand or more and less than ¥200 thousand, are amortized by the straight-line method over a three-year period.

(h) Leased assets

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

(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 over fifteen years.

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

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

(l) Hedge accounting

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

(m) Distribution of retained earnings

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

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(Accounting Change)

Effective the year ended March 31, 2013, the Company and its domestic subsidiaries have changed their method of accounting for depreciation of property, plant and equipment based on an amendment to the Corporation Tax Law of Japan. The effect of this change on operating income and income before income taxes was immaterial for the year ended March 31, 2013.

(Standards Issued but Not Yet Effective)

Accounting Standards for Retirement Benefits

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998, with an effective date of April 1, 2000, and the other related practical guidance, which were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(A) Treatment in the balance sheet – Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets ("deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(B) Treatment in the statement of income - The revised accounting standard would not change how to recognize actuarial gains and losses and past service cost in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining years of service of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

The accounting standard and the guidance are effective the end of fiscal years beginning on or after April 1, 2013.

The Company and its subsidiaries (collectively, the "Group") is in the process of measuring the effects of applying the revised accounting standards for the year ending March 31, 2014.

Notes to Consolidated Financial Statements

3. Cash and Cash Equivalents

In the preparation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in the consolidated balance sheets at March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Cash and deposits	**¥ 26,047**	¥ 27,543	**$ 276,978**
Marketable securities	**–**	199	**–**
Subtotal	**26,047**	27,742	**276,978**
Time deposits with original maturities in excess of three months	**(2,269)**	(1,851)	**(24,128)**
Marketable securities with original maturities in excess of three months	**–**	(199)	**–**
Cash and cash equivalents	**¥ 23,778**	¥ 25,692	**$ 252,850**

4. Notes Receivable

The balance sheet date for the year ended March 31, 2013 fell on a bank holiday. Consequently, notes receivable, trade of ¥7 million ($74 thousand) with a due date on March 31, 2013 were included in the balance and settled on the next business day.

5. Financial Instruments

(1) General information

i) Policy for financial instruments

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

5. Financial Instruments (continued)

(1) General information (continued)

ii) Types of financial instruments and related risk

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

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

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

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

iii) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

(2) Estimated fair value of financial instruments

The carrying value, fair value and unrealized gains (losses) of the financial instruments on the consolidated balance sheets as of March 31, 2013 and 2012 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note ii below).

	Millions of yen					
	2013			2012		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Assets						
(1) Cash and deposits	¥ **26,047**	¥ **26,047**	¥ **–**	¥ 27,543	¥ 27,543	¥ –
(2) Notes and accounts receivable	**6,893**	**6,893**	**–**	4,805	4,805	–
(3) Marketable securities and investments in securities	**1,861**	**1,861**	**–**	1,506	1,506	–
Total assets	¥ **34,801**	¥ **34,801**	¥ **–**	¥ 33,854	¥ 33,854	¥ –
Liabilities						
(1) Accounts payable - trade	¥ **1,076**	¥ **1,076**	¥ **–**	¥ 1,386	¥ 1,386	¥ –
Total liabilities	¥ **1,076**	¥ **1,076**	¥ **–**	¥ 1,386	¥ 1,386	¥ –
Derivative transactions (*)	¥ **–**	¥ **–**	¥ **–**	¥ –	¥ –	¥ –

	Thousands of U.S. dollars		
	2013		
	Carrying value	Fair value	Unrealized gain (loss)
Assets			
(1) Cash and deposits	$ **276,978**	$ **276,978**	$ **–**
(2) Notes and accounts receivable	**73,299**	**73,299**	**–**
(3) Marketable securities and investments in securities	**19,789**	**19,789**	**–**
Total assets	$ **370,066**	$ **370,066**	$ **–**
Liabilities			
(1) Accounts payable - trade	$ **11,442**	$ **11,442**	$ **–**
Total liabilities	$ **11,442**	$ **11,442**	$ **–**
Derivative transactions (*)	$ **–**	$ **–**	$ **–**

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

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

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

Notes:

i) Methods to determine the fair value of financial instruments and other matters related to marketable securities and derivative transactions are as follows:

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable
Since these items are settled in a short period of time, their carrying value approximate the fair value.

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

Liabilities

(1) Accounts payable - trade
Since this item is settled in a short period of time, its carrying value approximates the fair value.

Derivative Transactions

Please refer to Note 11.

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

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Unlisted equity securities	**¥ 105**	¥ 74	**$ 1,117**

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

Notes to Consolidated Financial Statements

5. Financial Instruments (continued)

(3) Redemption schedule

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

	Millions of yen							
	2013				2012			
	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	¥ **26,047**	¥ **–**	¥ **–**	¥ **–**	¥ **27,543**	¥ **–**	¥ **–**	¥ **–**
Notes and accounts receivable	**6,893**	**–**	**–**	**–**	**4,805**	**–**	**–**	**–**
Marketable securities and investments in securities:								
Other securities with maturity dates								
Corporate bonds	**–**	**600**	**900**	**100**	**200**	**100**	**700**	**200**
Total	¥ **32,940**	¥ **600**	¥ **900**	¥ **100**	¥ **32,548**	¥ **100**	¥ **700**	¥ **200**

	Thousands of U.S. dollars			
	2013			
	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	$ **276,978**	$ **–**	$ **–**	$ **–**
Notes and accounts receivable	**73,299**	**–**	**–**	**–**
Marketable securities and investments in securities:				
Other securities with maturity dates				
Corporate bonds	**–**	**6,380**	**9,570**	**1,063**
Total	$ **350,277**	$ **6,380**	$ **9,570**	$ **1,063**

6. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen					
	2013			2012		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥ 32**	**¥ 11**	**¥ 21**	¥ 214	¥ 194	¥ 20
Corporate bonds	**1,413**	**1,400**	**13**	401	400	1
Subtotal	**1,445**	**1,411**	**34**	615	594	21
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	**214**	**319**	**(105)**	99	137	(38)
Corporate bonds	**202**	**203**	**(1)**	792	803	(11)
Subtotal	**416**	**522**	**(106)**	891	940	(49)
Total	**¥ 1,861**	**¥ 1,933**	**¥ (72)**	¥ 1,506	¥ 1,534	¥ (28)

	Thousands of U.S. dollars		
	2013		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	**$ 340**	**$ 117**	**$ 223**
Corporate bonds	**15,025**	**14,887**	**138**
Subtotal	**15,365**	**15,004**	**361**
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	**2,276**	**3,392**	**(1,116)**
Corporate bonds	**2,148**	**2,159**	**(11)**
Subtotal	**4,424**	**5,551**	**(1,127)**
Total	**$ 19,789**	**$ 20,555**	**$ (766)**

Sales of other securities for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Sales	**¥ 9**	¥ 14	**$ 96**
Aggregate gain	**4**	0	**43**
Aggregate loss	**0**	–	**0**

Notes to Consolidated Financial Statements

7. Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Merchandise and finished products	**¥ 3,303**	¥ 3,004	**$ 35,124**
Work in process	**81**	62	**861**
Raw materials and supplies	**2,454**	2,304	**26,095**
Total	**¥ 5,838**	¥ 5,370	**$ 62,080**

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, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Retirement benefit obligation at end of year	**¥ (3,881)**	¥ (3,691)	**$ (41,270)**
Plan assets at fair value at end of year	**2,934**	2,478	**31,199**
Unfunded retirement benefit obligation	**(947)**	(1,213)	**(10,071)**
Unrecognized net retirement benefit obligation at transition	**39**	59	**415**
Unrecognized actuarial loss	**36**	420	**383**
Unrecognized prior service cost	**(4)**	(6)	**(42)**
Accrued retirement benefits for employees	**¥ (876)**	¥ (740)	**$ (9,315)**

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

Notes to Consolidated Financial Statements

8. Accrued Retirement Benefits for Employees (continued)

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Service cost	**¥ 199**	¥ 194	**$ 2,116**
Interest cost	**70**	68	**744**
Expected return on plan assets	**(49)**	(46)	**(521)**
Amortization of prior service cost	**(2)**	(2)	**(21)**
Amortization of net retirement benefit obligation at transition	**20**	20	**213**
Amortization of actuarial loss	**111**	146	**1,180**
Retirement benefit expenses, net	**¥ 349**	¥ 380	**$ 3,711**

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, 2013 and 2012.

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 38.0% for the year ended March 31, 2013 and 40.6% for the year ended March 31, 2012. 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, 2013 and 2012 as a percentage of income before income taxes are as follows:

	2013	2012
Statutory tax rate	**38.0%**	40.6%
Permanently non-deductible expenses	**0.3**	0.8
Per capita portion of inhabitants' taxes	**0.7**	1.4
Tax credit for research and development costs	**(7.8)**	(5.0)
Unrealized loss on inventories	–	(13.2)
Differences in tax rates applicable to overseas subsidiaries	**(0.5)**	(2.4)
Effect of changes in corporate tax rates	–	5.4
Other	**(0.1)**	(0.1)
Effective tax rates	**30.6%**	27.5%

The significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Deferred tax assets:			
Accrued retirement benefits for employees	**¥ 310**	¥ 262	**$ 3,296**
Unrealized gain on inventories	**282**	202	**2,999**
Long-term accounts payable-other	**182**	182	**1,935**
Accrued bonuses	**165**	148	**1,755**
Accrued enterprise tax	**85**	38	**904**
Deferred revenue	**49**	32	**521**
Allowance for doubtful accounts	**42**	24	**447**
Accrued legal welfare expense on bonuses	**23**	21	**245**
Other	**125**	123	**1,329**
Total deferred tax assets	**1,263**	1,032	**13,431**
Deferred tax liabilities:			
Depreciation	**(25)**	(37)	**(266)**
Accrued interest	**(10)**	(12)	**(107)**
Reserve for special depreciation	**(8)**	(11)	**(85)**
Other	**(63)**	(36)	**(670)**
Total deferred tax liabilities	**(106)**	(96)	**(1,128)**
Net deferred tax assets	**¥ 1,157**	¥ 936	**$ 12,303**

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, 2013 and 2012 amounted to ¥293 million ($3,116 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, 2013 and 2012 are summarized as follows:

	Number of shares			
	2013			
	April 1, 2012	Increase	Decrease	March 31, 2013
Treasury stock	**31,470**	**113**	**–**	**31,583**

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

Notes to Consolidated Financial Statements

11. Derivatives and Hedging Activities

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting at March 31, 2013 is summarized as follows:

Currency-related transactions

			Millions of yen			*Thousands of U.S. dollars*		
			2013			2013		
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)	Contract value (notional principal amount) over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts Selling: USD	Deposits denominated in foreign currencies	¥ 945	¥ –	¥ 940	$10,049	$–	$9,996
	Total		¥ 945	¥ –	¥ 940	$10,049	$–	$9,996

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

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

12. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Research and development costs	**¥ 2,977**	¥ 2,667	**$ 31,657**

Notes to Consolidated Financial Statements

13. Other Comprehensive Income (Loss)

Reclassification adjustments and tax effects of other comprehensive income (loss) for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Unrealized holding loss on securities:			
Loss arising during the year	**¥ (39)**	¥ (52)	**$ (415)**
Reclassification adjustments	**(4)**	(0)	**(42)**
Before tax effects	**(43)**	(52)	**(457)**
Tax effects	**(16)**	(19)	**(170)**
Unrealized holding loss on securities	**(27)**	(33)	**(287)**
Translation adjustments:			
Amount arising during the year	**845**	(71)	**8,986**
Other comprehensive income (loss)	**¥ 818**	¥ (104)	**$ 8,699**

14. Related Party Transactions

There were no related party transactions to be disclosed for the years ended March 31, 2013 and 2012.

15. Amounts per Share

Amounts per share at March 31, 2013 and 2012 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2013	2012	**2013**
Net assets	**¥ 3,313.79**	¥ 3,128.22	**$ 35.24**
Net income:			
Basic	**150.37**	73.94	**1.60**
Diluted	**–**	–	**–**
Cash dividends	**30.00**	20.00	**0.32**

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 for the years ended March 31, 2013 and 2012 was not presented since no outstanding dilutive securities existed at March 31, 2013 and 2012.

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

Notes to Consolidated Financial Statements

16. Segment Information

i) Outline of segment information

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

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

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

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

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

(Accounting Change)

As described in Note 2, effective the year ended March 31, 2013, the Company and its domestic subsidiaries have changed their method of accounting for depreciation of property, plant and equipment based on an amendment to the Corporation Tax Law of Japan. The effect of this change on segment performance was immaterial for the year ended March 31, 2013.

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

Information by reporting segment for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen						
	2013						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)							
Sales to third parties	**¥ 16,032**	**¥ 7,687**	**¥ 753**	**¥ 1,380**	**¥ 25,852**	**¥ –**	**¥ 25,852**
Intersegment sales	**6,502**	**10**	**0**	**337**	**6,849**	**(6,849)**	**–**
Net sales	**22,534**	**7,697**	**753**	**1,717**	**32,701**	**(6,849)**	**25,852**
Operating expenses	**20,571**	**7,358**	**804**	**1,554**	**30,287**	**(6,613)**	**23,674**
Operating income (loss)	**¥ 1,963**	**¥ 339**	**¥ (51)**	**¥ 163**	**¥ 2,414**	**¥ (236)**	**¥ 2,178**
II. Total assets	**¥ 47,067**	**¥ 6,409**	**¥ 734**	**¥ 3,231**	**¥ 57,441**	**¥ (2,575)**	**¥ 54,866**
III. Other items							
Depreciation and amortization	**¥ 902**	**¥ 58**	**¥ 3**	**¥ 10**	**¥ 973**	**¥ –**	**¥ 973**
Investments in affiliated company	**94**	**–**	**–**	**–**	**94**	**–**	**94**
Increase in tangible / intangible fixed assets	**865**	**862**	**8**	**4**	**1,739**	**–**	**1,739**

Notes to Consolidated Financial Statements

16. Segment Information (continued)

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

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

	Thousands of U.S. dollars						
	2013						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)							
Sales to third parties	**$ 170,480**	**$ 81,742**	**$ 8,007**	**$ 14,675**	**$ 274,904**	**$ –**	**$ 274,904**
Intersegment sales	**69,141**	**106**	**0**	**3,584**	**72,831**	**(72,831)**	**–**
Net sales	**239,621**	**81,848**	**8,007**	**18,259**	**347,735**	**(72,831)**	**274,904**
Operating expenses	**218,747**	**78,243**	**8,550**	**16,525**	**322,065**	**(70,321)**	**251,744**
Operating income (loss)	**$ 20,874**	**$ 3,605**	**$ (543)**	**$ 1,734**	**$ 25,670**	**$ (2,510)**	**$ 23,160**
II. Total assets	**$ 500,500**	**$ 68,152**	**$ 7,805**	**$ 34,358**	**$ 610,815**	**$ (27,382)**	**$ 583,433**
III. Other items							
Depreciation and amortization	**$ 9,592**	**$ 617**	**$ 32**	**$ 106**	**$ 10,347**	**$ –**	**$ 10,347**
Investments in affiliated company	**1,000**	**–**	**–**	**–**	**1,000**	**–**	**1,000**
Increase in tangible / intangible fixed assets	**9,198**	**9,166**	**85**	**43**	**18,492**	**–**	**18,492**

Notes to Consolidated Financial Statements

16. Segment Information (continued)

iv) Geographical information

(a) Sales

Sales categorized by country and region based on locations of customers by the Group for the years ended March 31, 2013 and 2012 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Japan	¥ **10,211**	¥ 6,941	$ **108,582**
USA	**5,720**	6,017	**60,825**
North America (except USA)	**1,349**	1,037	**14,345**
Europe	**2,918**	3,364	**31,029**
Asia & Oceania	**4,862**	5,439	**51,701**
Other	**792**	785	**8,422**
Total	¥ **25,852**	¥ 23,583	$ **274,904**

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region as of March 31, 2013 and 2012 were summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	**2013**
Japan	¥ **6,531**	¥ 6,506	$ **69,449**
North America	**901**	312	**9,581**
Europe	**14**	9	**149**
Asia & Oceania	**218**	198	**2,318**
Total	¥ **7,664**	¥ 7,025	$ **81,497**

(c) Information by major customer

Information by major customer for the years ended March 31, 2013 and 2012 were as follows:

	Net sales			
	Millions of yen		*Thousands of U.S. dollars*	*Related segment name*
Customer name	**2013**	2012	**2013**	
NEC Engineering, Ltd.	¥ **3,033**	¥ 2,967	$ **32,252**	Japan

Notes to Consolidated Financial Statements

17. Significant Subsidiaries and Affiliates

The Company's subsidiaries and significant affiliates as of March 31, 2013 are presented as follows:

Name	Ownership Interest	Country of Incorporation	Subsidiaries/Affiliate
Icom America, Inc.	100.0%	United States of America	Consolidated subsidiary
ICOM CANADA HOLDINGS INC.	100.0%	Canada	Consolidated sub-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 sub-subsidiary
ICOM DO BRASIL RADIOCOMUNICACAO LTDA.	100.0%	Brazil	Consolidated sub-subsidiary
Comforce Inc.	49.0%	Japan	Affiliate accounted for by the equity method
Position Co., Ltd.	33.3%	Japan	Affiliate accounted for by the equity method

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, 2013, was approved at the Company's general shareholders' meeting held on June 25, 2013:

	Millions of yen	*Thousands of U.S. dollars*
	2013	**2013**
Cash dividends (¥20 = U.S.$0.21 per share)	**¥ 296**	**$ 3,148**

Independent Auditor's Report

The Board of Directors
ICOM INCORPORATED

We have audited the accompanying consolidated financial statements of ICOM INCORPORATED and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICOM INCORPORATED and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 25, 2013
Osaka, Japan

BOARD OF DIRECTORS AND AUDITORS

Tokuzo Inoue
Chairman and Representative Director
Tsutomu Fukui
President and Representative Director
Nobuo Ogawa
Executive Managing Director
Hiroshi Shimizu
Director
Taichiro Itoyama
Outside Director
Kenji Oono
Auditor
Hiroshi Umemoto
Outside Auditor
Katsunori Sugimoto
Outside Auditor

EXECUTIVE OFFICERS

Masataka Harima
Hiroshi Nakaoka
Takashi Tsujiuchi
Shinichi Matsuo
Shigeyoshi Tanabe
Kenichi Kojiyama
Yoshiteru Yano

DIRECTORY

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CORPORATE FACTS

(As of March 31, 2013)
Established: July 1964
Employees: 613
Paid-in capital: ¥7,081 million
Authorized shares: 34,000,000
Issued and outstanding shares: 14,850,000
Shareholders: 5,952
Stock listing: Tokyo Stock Exchange and Osaka Securities Exchange

(As of March 31, 2013)

Major shareholders	Thousands of shares
State Street Bank and Trust Company	1,906
Tokuzo Inoue	1,868
Gigapalace Inc.	1,472
The Icom Foundation	1,000
JPMorgan Chase & Co.	808
Japan Trustee Service Bank, Ltd.	588
JVC KENWOOD Corporation	445
Meiji Yasuda Life Insurance Company	326
The Master Trust Bank of Japan, Ltd.	297
Bank of Tokyo-Mitsubishi UFJ, Ltd.	243