

進化する明日へ Continue thinking

I-O DATA

The 42nd term Annual Report

From July 1, 2016 to June 30, 2017



Official Character: IOTARO

I-O DATA DEVICE, INC.

Security Code: 6916

LCD-M4K491XDB



Akio Hosono, Chairman
Naonori Hamada, President

Chairman's Greetings

I would like to take this opportunity to express my utmost gratitude for your invaluable support.

We decided to shift to a new management structure in an aim to improve our corporate value further. As Chairman, I am committed to contribute toward our business development, mainly through the development of new business domains and external collaboration. I sincerely hope that your support for us will continue in the future as well.

My name is Naonori Hamada. I was appointed to succeed the former President who led I-O DATA for 41 years since its foundation. I am humbled by the heavy responsibilities of President.

I joined the Company after having worked at a local credit cooperative, following graduation from senior high school. At that time, I had neither techniques nor knowledge in products, and learned everything from scratch.

I have been engaged in I-O DATA's business in the Sales Department for 19 years and in the Customers Service Department for 6 years. Currently, I supervise the overall business as General Manager of Business Strategy Headquarters.

Over the past few years, we implemented various measures with the aim of establishing a corporate structure which is less affected by the external environment and will reverse the declining trends in sales. In this process, I reaffirmed my belief that business results represent the evaluation of the Company by all stakeholders including customers and business counterparties. I will devote myself to management with high ethical standards, so that the Company continues being a trusted and preferred enterprise through creation of products and services valuable to society.

With the aim of making another leap forward, we adopted the slogan "Create a world that no one has ever seen" in this fiscal year. Under this slogan, we will further emphasize promoting development of solutions, which range from small concerns that have been passed over to transmitting new values, to realize a prosperous society. We shall achieve this not by following trends, but by placing value on perspectives and aspirations unique to I-O DATA.

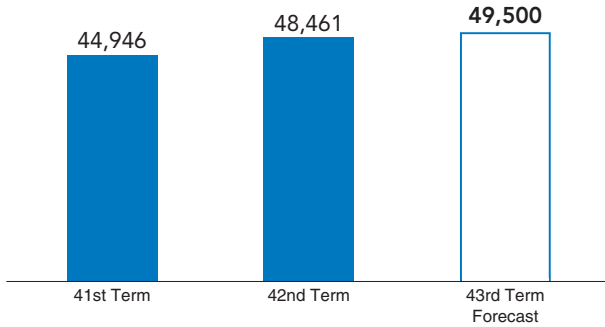
Under the new management structure, we will strive to achieve sustainable growth and improve corporate value. I would be grateful for your continued support in our future endeavors.



Consolidated Financial Highlights and Outlook for the Next Fiscal Year

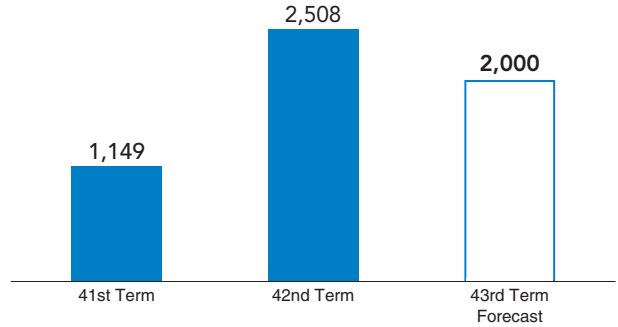
Net Sales

(Millions of yen)



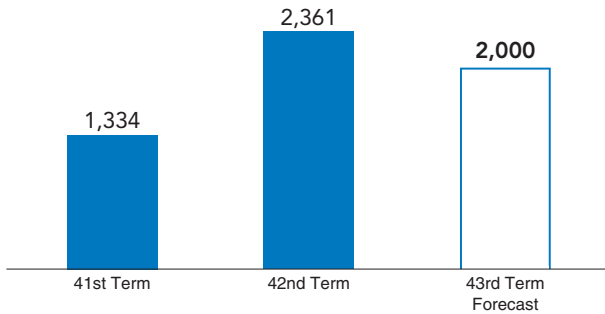
Operating Income

(Millions of yen)



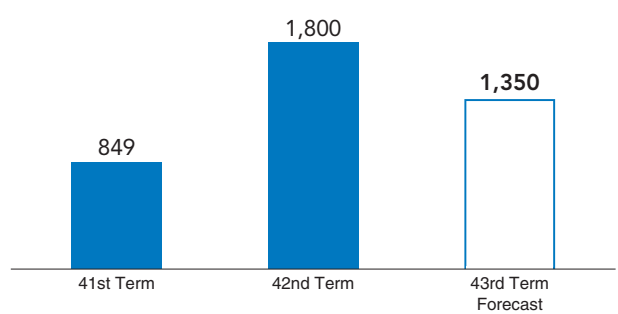
Ordinary Income

(Millions of yen)



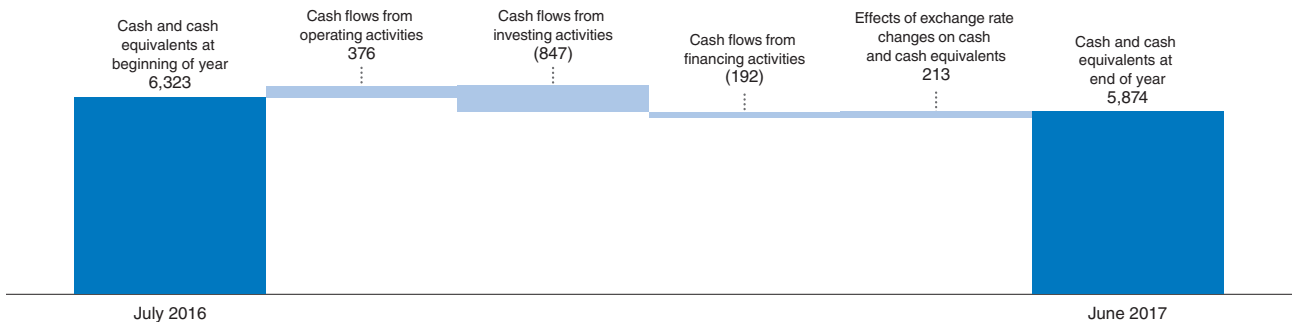
Net Income Attributable to Owners of Parent

(Millions of yen)



Outline of Consolidated Statements of Cash Flow

(Millions of yen)



Looking at the future business environment, the domestic economy is expected to continue in a moderate recovery trend. However, the uncertainty remains over overseas political and economic trends and the outlook is not promising.

The digital equipment market including PCs, consumer electronics, and smart devices, in which our group participates, currently lacks strength overall. However, information and communication technology, which is further penetrating throughout society, is giving rise to new services such as IoT, an area with growing expectations from various perspectives, as well as the threats against cybersecurity and privacy. Opportunities to utilize our group's technology, ideas and services are increasing day by day.

Under these circumstances, we are focusing on customer-oriented value proposition in our aim for building a corporate structure which is less affected by the shipping trends of the main units of digital equipment as well as for steady growth. In our efforts to achieve these goals, we will pursue optimized products and services for our customers and further enhance our product lineup as well as make proactive promotion of the application of excellent products and services provided by other companies. Through enhancing customer-based sales and support structures in response to market characteristics, such as business and region-based characteristics, we will ensure a stable and long-term relationship with our customers. Furthermore, we will step up alliance with leading companies and strive to establish next-generation growth businesses.

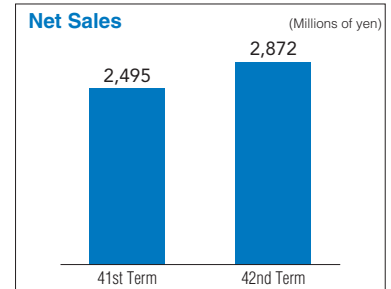
In terms of the consolidated business results forecast for the next fiscal year, we expect to achieve group sales of 49,500 million yen (up 2.1% from the previous year) in anticipation of higher sales of liquid crystal monitors, global brand products and peripherals of smart devices. In terms of profit, we forecast a gross profit of 9,800 million yen (down 1.2% from the previous year, with a decrease of 0.7 percentage point in profit ratio) at the forecast exchange rate of 110 yen per U.S. dollar. In addition, in anticipation of the increased investment in research and development costs related to development of new markets and rise in costs related to updates of the core information system which is scheduled to be introduced in the next fiscal year, we are planning selling, general, and administrative expenses of 7,800 million yen (up 5.3% from the previous year). Consequently, we are forecasting operating income of 2,000 million yen (down 20.3% from the previous year). Taking into account other income and other expenses that are expected to occur on an ongoing basis in view of the historical levels of our business results, we are forecasting ordinary income of 2,000 million yen (down 15.3% from the previous year). As a result, net income attributable to owners of parent for the current consolidated fiscal year after the deduction of 650 million yen of tax expenses, is forecast at 1,350 million yen (down 25.0% from the previous year).

Divisional Sales Outline

■ Memory

Sales in the Memory Division increased 15.1% year-over-year to 2,872 million yen.

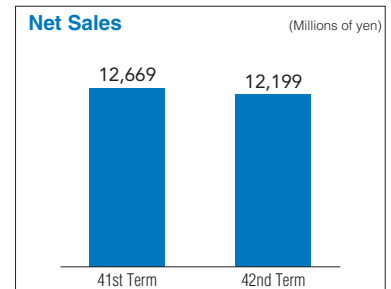
Sales of memory modules maintained the level of the previous consolidated fiscal year. Sales of flash memory such as memory cards and USB memory devices increased, reflecting a sharp rise in the semiconductor market and increase in sales volume of mainly low-priced models.



■ Storage

Sales in the Storage Division decreased 3.7% year-over-year to 12,199 million yen.

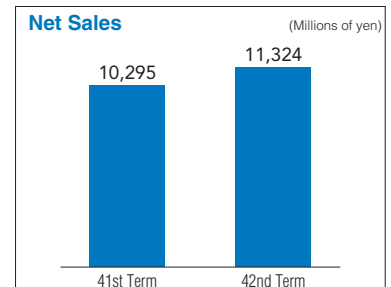
Sales of hard disk drives, our mainstay product, posted a decrease due to lower sales prices reflecting the appreciation of the yen, although sales volume maintained the level of the previous consolidated fiscal year. In the optical disk drive business, sales increased thanks to the successful new development (new addition to the lineup and improvement of app functionality) of the “CD Reco” series that enable users to import music CDs directly to and enjoy with smartphones and tablets.



■ Liquid Crystal

In an aim for further diffusion and expansion, we worked to improve our product lineup and sales channel on which we had less focused previously. We also strove to enhance value-added models such as large 4K monitors and monitors for games to expand their sales. As a result, sales in the Liquid Crystal Division increased 10.0% year-over-year to 11,324 million yen.

As a new development, we worked to enhance “free-style stand (adjustable stand)” models which allow users to adjust monitor’s height and angle suited to work environment and rotate monitors 90 degrees vertically and horizontally, and options such as stick PCs which broaden opportunities to utilize large monitors and “teletouch”.

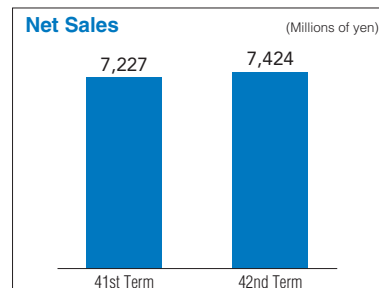


■ Peripheral

Sales of visual-related products such as digital terrestrial tuners and video capture devices posted a decrease as a result of sluggish sales of PC expansion models, although we strove to diffuse “REC-ON series,” next-generation TV tuners which enable users to enjoy TV broadcasts received at home and recorded programs with smart devices anywhere.

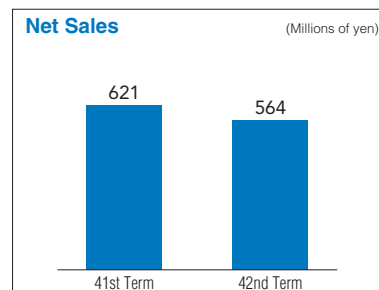
In the network devices business, sales of both wireless LAN and NAS posted an increase as a result of the strengthening of product lineup. As a strategic move toward development of IoT-related products, we started sales of “UD-LT1,” an M2M router for the industrial IoT and M2M (communication between the apparatus) markets, and “Raspberry Pi,” a business card-sized small computer which is becoming popular in educational settings and development of IoT-related devices, and worked to acquire new customers and partners.

As a result, sales in the Peripheral Division posted a year-over-year increase of 2.7% to 7,424 million yen.



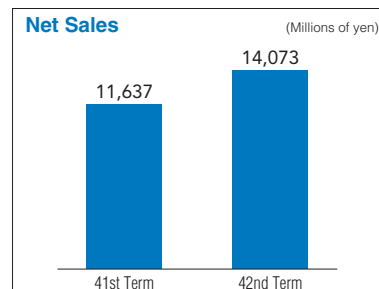
■ Custom Order Products

Sales in this division, which deals mainly in peripherals for digital consumer electronics, OEM products for communications service providers, and custom order products, were below the previous consolidated fiscal year as a result of a shift of its main focus from operations centered on OEM to the development of new businesses, finishing at 564 million yen, down 9.0% from the previous consolidated fiscal year.



■ Products and Others

This division, which engages mainly in the sale of brand products manufactured by other companies that complement our own product lineup, posted sales of 14,073 million yen, a 20.9% increase from the previous consolidated fiscal year, thanks to sales growth of Verbatim® products which have been increasing their market share since the number of entrant companies decreased in the previous fiscal year, in addition to favorable sales of products manufactured by Samsung Electronics and WD.



Private Event “I-O DATA Fair” held in Akihabara for the First Time in 13 Years



From Saturday, April 15 to Sunday, April 16, “I-O DATA Fair” was held in Akihabara, Tokyo. As a private event for general customers, it was held for the first time in 13 years and the total number of visitors exceeded 7,700. Under the theme of “we will show you all of I-O,” visitors tried and experienced a wide variety of products during the two days. We will introduce some parts of the fair.



■ Game Running Commentary Experience on Mini Stage

“GV-HDREC,” a HDMI capture which works without a PC. It is highly popular as an entry-level device for game running commentary, as it can be connected with game consoles and record video of gameplay easily.

We set up a “mini stage for game running commentary experience” at which a professional commentator for game tournaments gave running commentary on gameplay by participants, using the much-talked-about “GV-HDREC.” The stage was heated up by exciting running commentary.



▲GV-HDREC



■ Touch and Try Hot Features! CD Reco Experience



“CD Reco,” a drive popular to men and women of all ages as it enables users to import music CDs to smartphones without using PCs. At the venue, our staff introduced the CD Reco from its ABCs to new features just released.

Furthermore, Ms. Hitomi Yaida, a musician, and Mr. Takeshi Tsuruno, an actor and musician, were invited to a stage event to talk about excellence of the CD Reco.



▲CDRI-L24I

■ Experience Overwhelmingly dynamic “Sextuplet Monitors” in Gaming Displays



Curved panel models were introduced in the “GigaCrysta” series, liquid crystal displays beautifully recreating world view of games. They are characterized by the highly immersive experiences as if the users had wandered into world of games.

At the fair venue, multiple large screen monitor environment was specially created by connecting six displays, and visitors experienced the dynamic world.

LCD-GC271XCVB▶



■ Introducing Development Staff’s Commitment to Products

I-O DATA offers various products. We set up a section where our staff in charge of product planning and development introduced each single product to visitors.

A talk event was also held at the main stage. Our staff talked in detail about stories behind the development and their commitment to products. Their talk along with the dialogue with MC was very exciting.



■ Programming Workshop for Elementary School Students



▲Raspberry Pi

Programming education will be compulsory at elementary schools, from 2020. Therefore, we held a workshop at which students of 4th to 6th grade in elementary school challenged programming using “Raspberry Pi,” a palm-sized ultra-small PC.

The students had fun and pleasure of programming through creating games by typing programs with keyboards.



We sincerely thank you for visiting the fair.

Environmental Policy

“Harmonious Coexistence of Business Activities and Nature”

Corporate philosophy of I-O DATA DEVICE, INC. is to meet customer’s expectations and to contribute to society. Moreover, I-O DATA comprehends that the preservation and conservation of the global environment are major worldwide issues. To achieve a sustainable society, I-O DATA will make every effort to reduce environmental impacts through business activities and product life cycles.

Environmental Goals and Achievements of the 42nd Term

	Environmental Activities Guideline	Of division goals, goals concerning environmental management system	Evaluation
1	Promotion of environment-responsive product design and reduction of environmental impact.	Achievement of sales budget of environment-responsive main stream products including energy-saving main stream products.	Partially achieved
2	Implementation of activities to conserve electricity, paraffin oil, and other energy sources used in the course of business activities.	Promotion of Kaizen (improvement) activities and improvement of the work environment.	Partially achieved
3	Recycling and proper disposal of waste products generated by business activities.	Plan optimum volume of production and sales, response swiftly to changes in market condition.	Partially achieved
		Reduction of accumulated inventory and optimization of inventory amount.	Partially achieved
4	Efficient use of production materials.	Improvement of throughput such as reduction of production lead time in order to respond to changing market and needs.	Not achieved
5	Disclosure of information on the Company's environmental efforts.	Promotion of solution for user problem.	Partially achieved

[Overall evaluation]

Although some of the goals have not been achieved, we have enhanced collaboration among departments through cross-organizational projects. In addition, we have been not only promoting enhancement of the productivity regarding products and services, but also working to make the results of activities that encourage customers to reduce the environmental impact more effective in terms of quality, such as improving user-experience.

In the next fiscal year, transition to the 2015 version of the environmental management system is scheduled. It requires us to capture opportunities and risks in our own organizational environment from a wider perspective and utilize them in business activities. We will work to make activities future-oriented, with the focus on enhancement of relationship with our customers and creation of opportunities due to changes in environment through swift improvement of products and services.

Regional Contribution Activities

We are striving to establish and maintain better relationships with the local communities where our offices are located. As a member of the local community, we are making a variety of efforts to contribute to the development of the local communities and create a better environment.

Examples of Activities

- We participated in “Clean Beach Ishikawa,” a seashore protection activity cleaning the 583 km coastline in Ishikawa, where the Company’s Headquarters are located.
- In collaboration with five local companies, we participated in a study session to create visions together required for the new standards of the 2015 version of the environmental management system. We introduced the results of the study session at Hokuriku Exchange Meeting.



Trend of Main Environmental Performance Indicators*1

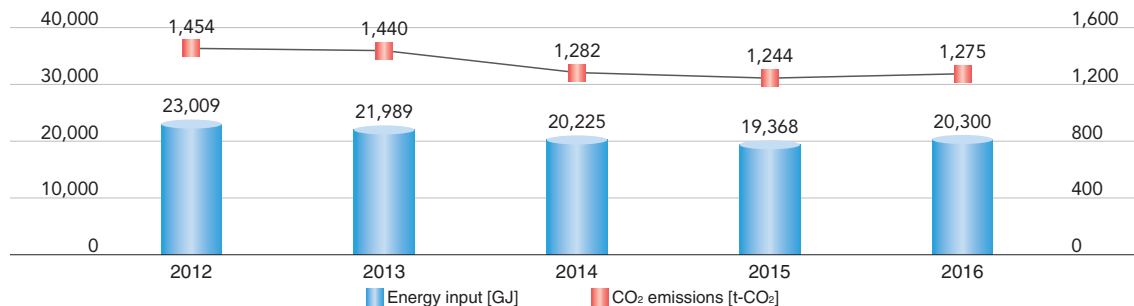
Reporting period (Fiscal year: July 1 to June 30)	2012	2013	2014	2015	2016
Electric power consumption (including Offices) (1,000kwh)	1,780	1,661	1,548	1,511	1,560
Kerosene consumption (kl)	141	147	131	117	129
Energy input (GJ)	23,009	21,989	20,225	19,368	20,300
CO ₂ emissions*2 (t-CO ₂)	1,454	1,440	1,282	1,244	1,275
Municipal waste (kg)	26,100	27,220	39,160	34,380	41,440
Industrial waste (kg)	17,059	25,364	22,406	51,239	68,257
Specially controlled industrial waste (kg)	—	5	—	—	—
Total volume of waste (a) (kg)	43,159	52,589	61,566	85,619	109,697
Reuse (b)*3 (kg)	97,611	542,656	523,940	524,620	589,322
Valuable waste (c) (kg)	142,963	137,762	124,654	115,600	108,550
Total output (a+b+c) (kg)	283,734	733,007	710,160	725,839	807,569
Green procurement rate (%)	90%	95%	91%	92%	91%

*1: There are no greenhouse gas emissions required to be reported (CO₂ from non-energy sources, methane, N₂O, HFC, PFC, SF₆, NF₃).

*2: Of CO₂ emissions, emission coefficients of electric power were reported based on the actual emission coefficients for each power producer and supplier for the emission calculation of the reporting year.

*3: Increased resulted from addition of outsourced warehousing from 2013 in addition to the Headquarters' warehouse with regard to the reuse of wooden pallets.

Trend of Greenhouse Gas Emissions



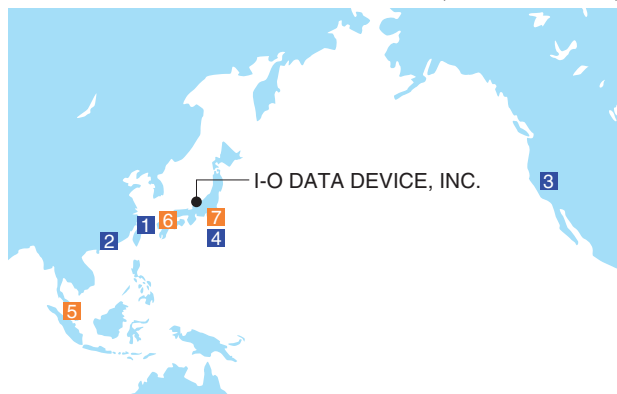
Results of Product Collection and Recycling

● Implementation Status Based on the Act on the Promotion of Effective Utilization of Resources (Liquid Crystal Display)

Period	Household/Industrial	Volume of collected products (kg)	Number of collected products (Unit)	Volume recycled (kg)	Volume reused (kg)	Percentage reused (%)
From April 2016 to March 2017	Industrial	1,365.3	254	15,983.1	13,636.3	85.3
	Household	14,617.8	2,702			
	Total	15,983.1	2,956			

Company Profile / Stock Information

(As of June 30, 2017)



Subsidiaries

Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
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1 TAIWAN I-O DATA DEVICE, INC.	NT\$50,000,000	100.00%
2 I-O DATA Hong Kong Ltd.	HK\$2,550,000	100.00%
3 I-O DATA America, Inc.	US\$100,000	100.00%
4 ITG Marketing, Inc.	¥81,000,000	61.11%

Affiliates

Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
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5 I-O & YT Pte. Ltd.	S\$1,585,000	43.33%
6 DigiOn, Inc.	¥490,000,000	32.12%
7 Creative Media K.K.	¥499,000,000	30.00%

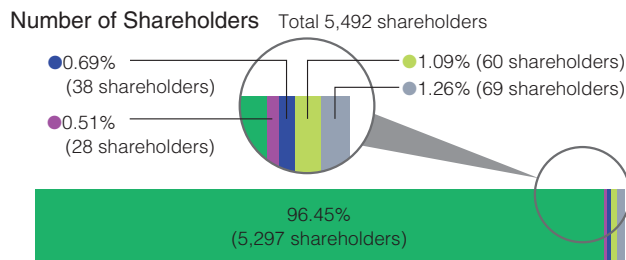
Status of Shares (As of June 30, 2017)

Total number of shares authorized to be issued	41,000,000
Total number of shares outstanding	14,839,349
Number of shares per unit	100
Number of shareholders at the term-end	5,492

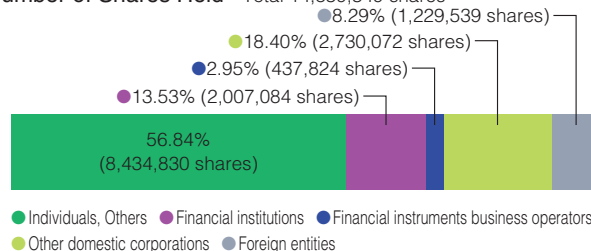
Major Shareholders (As of June 30, 2017)

Names	Number of shares held	Share holding percentage
Akio Hosono	2,514,643	16.94
I-O DATA Foundation	2,000,000	13.47
I-O DATA DEVICE, INC.	1,947,157	13.12
Yukie Hosono	763,780	5.14
Japan Trustee Services Bank, Ltd. (trust account)	411,500	2.77
The Hokkoku Bank, Ltd.	306,662	2.06
TRENT Ltd.	269,675	1.81
MITSUBISHI CHEMICAL MEDIA CO., LTD.	200,000	1.34
The Master Trust Bank of Japan, Ltd. (trust account)	175,500	1.18
Mizuho Bank, Ltd.	153,331	1.03

Distribution of Shares by Shareholder Type (As of June 30, 2017)



Number of Shares Held



Company Profile

Outline (As of June 30, 2017)

■ Name	I-O DATA DEVICE, INC.
■ Established	January 10, 1976
■ Capital	3,588.07 million yen
■ Employees	448 (Non-Consolidated) 490 (Consolidated)

Board of Directors (As of September 26, 2017)

Chairman, Representative Director	Akio Hosono
President, Representative Director	Naonori Hamada
Director	Hiroki Kato
* Director	Yoshihiro Nitta
* Director	Tsutomu Maruyama
Standing Statutory Auditor	Masakatsu Ikeda
** Statutory Auditor	Koichi Matsuki
** Statutory Auditor	Kazuya Nakamura
** Statutory Auditor	Satoru Nagahara

Note: Outside Directors are marked with an asterisk (*), and Outside Statutory Auditors are marked with a double asterisk (**).

Offices (As of June 30, 2017)

Headquarters	3-10 Sakurada-machi, Kanazawa, Ishikawa
Tokyo Office	1-23-1 Kandasuda-cho, Chiyoda-ku, Tokyo
Osaka Office	2-1-10 Minamisenba, Chuo-ku, Osaka, Osaka
Sapporo Office	4-1, Kitajujonishi, Kita-ku, Sapporo, Hokkaido
Sendai Office	3-4-1 Tsutsujigaoka, Miyagino-ku, Sendai, Miyagi
Nagoya Office	2-9 Shinsakae-machi, Naka-ku, Nagoya, Aichi
Hiroshima Office	2-27 Tatemachi, Naka-ku, Hiroshima, Hiroshima
Fukuoka Office	1-1-3 Maizuru, Chuo-ku, Fukuoka, Fukuoka

Information for Shareholders

Fiscal Year:	From July 1 to June 30
Ordinary General Meeting of Shareholders:	Annually in September
Record Date:	Ordinary General Meeting of Shareholders: June 30 Dividends: June 30 Interim Dividends: December 31 Other record dates shall be set up and announced in advance when necessary.
Media of Public Notice:	Announcements will be made electronically on our website (http://www.iodata.jp/). However, when electronic announcements are difficult due to circumstances beyond our control, we will place a notice in the Nihon Keizai Shimbun (Nikkei Newspaper).

Stock Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation
Contact Information:	Mitsubishi UFJ Trust and Banking Corporation Osaka Stock Transfer Agency Department 3-6-3 Fushimi-machi, Chuo-ku, Osaka 541-8502 Sumitomo Mitsui Trust Bank, Limited
Account Management Institution for Special Accounts:	Sumitomo Mitsui Trust Bank, Limited
Contact Information:	Stock Transfer Agency Department 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063
Listed Stock Exchange:	Tokyo Stock Exchange, First Section
Security Code:	6916

I-O DATA DEVICE, INC.

I-O DATA

3-10 Sakurada-machi, Kanazawa, Ishikawa, Japan
<http://www.iodata.jp/>