

The 36th term Annual Report

From July 1, 2010 to June 30, 2011



Greetings to Our Shareholders



Akio Hosono

Akio Hosono, President

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

I wish to express my heartfelt sympathy to all the victims of the Great East Japan Earthquake and pray for their earliest recovery.

As of June 30, 2011, we completed our 36th fiscal year (from July 1, 2010 to June 30, 2011). Hence, I would like to hereby report an overview of our business performance and other relevant information.

I sincerely hope you will grant us continued support and guidance for the future.

September 2011

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Status of Corporate Group

(As of June 30, 2011)



Subsidiaries

Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
1 TAIWAN I-O DATA DEVICE, INC.	NT\$50,000,000	100.00%
2 I-O & YT (Hong Kong) Ltd.	HK\$2,550,000	See*
3 I-O DATA America, Inc.	US\$100,000	100.00%

Affiliates

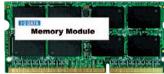
Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
4 I-O & YT Pte.Ltd.	S\$1,585,000	49.00%
5 DigiOn, Inc.	¥696,350,000	34.24%
6 Creative Media K.K.	¥499,000,000	30.00%

* TAIWAN I-O DATA DEVICE, INC. holds a 50.00% share and the remaining 50.00% belongs to I-O & YT Pte.Ltd.

Introduction | of | Our | Products

Extension Memory Board Division

Memory DDR3 SDRAM
(for Notebook)
Personal Computers



SDY1333 Series

Memory DDR3 SDRAM
(for Desktop)
Personal Computers



DY1333 Series

Memory Card
SDHC Card



SDH-V4G

Security USB Memory



ED-E3 Series

Storage Division

External Hard Disk Drive



HDCA-U Series

Portable Hard Disk Drive



HDPC-AU Series

Portable DVD Drive



DVRP-U8C Series

External Blu-ray Drive



BRD-U8DM

Liquid Crystal Division

17-inch Analog
Liquid Crystal Display



LCD-A173KW

21.5-inch Wide Liquid Crystal
Display mounted with Digital
Terrestrial, BS Tuner



LCD-DTV223XBE

Glossy Model
21.5-inch Wide Liquid Crystal
Display



LCD-MF221XGBR

Windows 7 Multi-Touch
21.5-inch Wide Liquid Crystal
Display



LCD-MF222FBR-T

Peripheral Division

High-Definition Recording Hard
Disk RECBOX



HVL-AV Series

Digital Terrestrial, BS,
110-degree CS High-Definition
Tuner



HVT-BCTL

Hard Disk with LAN Connection
LAN DISK XR (for Business use)



HDL-XR Series

Hard Disk with LAN Connection
LAN DISK C (for Personal use)



HDL-CE Series

Hard Disk with LAN Connection
LAN DISK Home
(for Personal use)



HDL-S Series

Wireless LAN Router



WN-G300DGR

One-Seg Tuner SEG CLIP mobile
(for iPhone/iPad/iPod touch)



GV-SC500IP

Wireless LAN Adapter
(set of Base unit and Extension unit)



WN-AG300EA-S

The | Outline | of | Sales

Overview of the Fiscal Year under Review

The Japanese economy in the first half of the current consolidated fiscal year was on a modest recovery path attributable to strong demand in emerging countries and effects from governmental economic stimulus measures. However, the pace of recovery gradually slowed in the second half due to the waning impact of the stimulus and the yen's appreciation. In addition, due to the damage caused by the Great East Japan Earthquake on March 11, 2011 and the resulting shortage of electric power, manufacturing activities slowed down and personal consumption remained sluggish.

As for the personal computer (PC) market and the peripheral equipment market for digital consumer electronics products in which our group of companies operated, a part of the consumer market was on a recovery path as a result of increases in the installation of peripherals for digital terrestrial TVs, which have been expanding due to the termination of analog broadcasting in July 24, 2011 (excluding three prefectures of the Tohoku area), and smartphones, which are becoming more widely used. However, companies continued to reduce investments and the overall PC peripheral market remained weak. Furthermore, in the first half of the consolidated fiscal year under review, along with the rapid

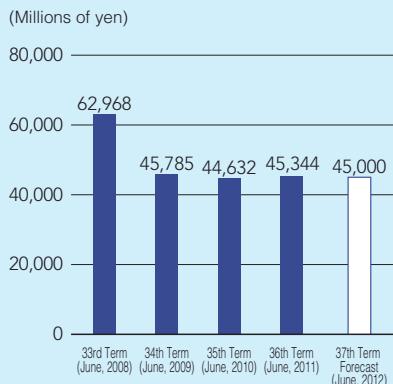
appreciation of the yen, the prices of semiconductors, liquid crystal panels and hard disk drives, which are major components in our group's business, dropped rapidly, and the prices of finished products subsequently continued to decline throughout the year.

Under such circumstances, our group of companies enhanced the connectivity with diverse digital equipment and the service structure, and actively proceeded with proposals for expansion of product lineups and their applications, centered on growth areas including digital consumer electronics and smartphones as well as corporate data maintenance, which is of growing importance. By doing so, we offset a decrease in sales due to a decline in sales prices and the weak PC peripheral market.

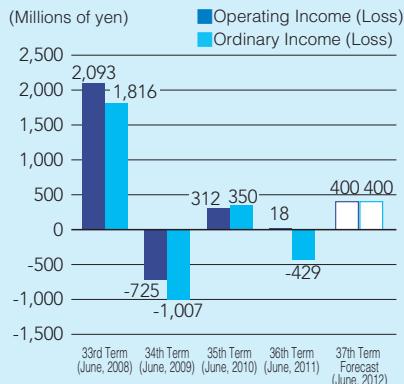
On the profit side, although profits were accumulated each quarter since the second quarter, they were not enough to offset a loss in the first quarter caused by the rapid decline in prices of major components and sharp appreciation of the yen, coupled with decreasing factors relating to loss from revaluation of inventory and inventory adjustments. As a result, our performance was lower than that of the previous consolidated fiscal year for all items from operating income on down. In addition, although the group turned an operating profit, it posted an ordinary loss and net loss as a result of an exchange loss of 482 million

Main management index

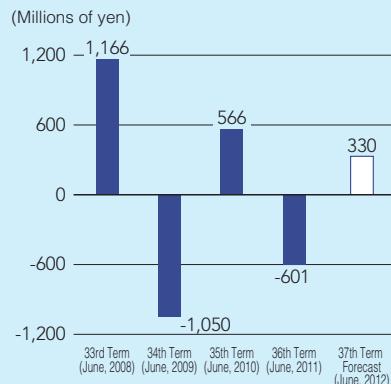
Net Sales



Operating Income (Loss), Ordinary Income (Loss)



Net Income (Loss)



yen on non-operating expenses.

As a result, for this consolidated fiscal year, we posted group sales of 45,344 million yen (up 1.6% from the previous year), operating income of 18 million yen (down 94.2% from the previous year) and ordinary loss of 429 million yen (ordinary income of 350 million yen in the previous year). In light of our operating results over the fiscal year, a net loss totaling 601 million yen was accounted (compared to net income of 566 million yen in the previous year) as a result of a partial reversal of deferred tax assets and the effect of accounting for 205 million yen on income taxes-deferred as of the end of this consolidated fiscal year.

Outlook for the Next Fiscal Year

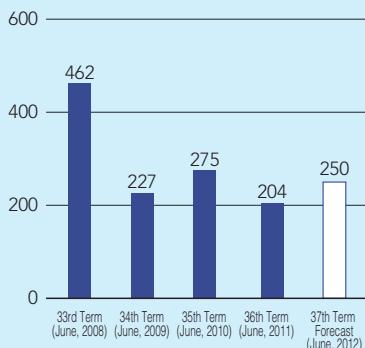
Looking at the future business environment, although it is expected that the overall economy will be on a recovery trend on the back of post-quake reconstruction demand and expanding demand in emerging countries, we believe that uncertain conditions will persist in the first half of the next consolidated fiscal year with anxiety over the future of corporate activities and personal consumption as effects of the Great East Japan Earthquake linger and concerns abound over a prolonged rise in commodity prices and the yen's upward movement.

The PC market and the peripheral equipment market for digital consumer electronics in which our group of companies operate is also expected to witness difficulties as the TV market slows down significantly due to waning demand for digital terrestrial TVs and companies continue to reduce capital investments. However, the rapid spread of digital consumer electronics products and smartphones will accelerate the emergence of a new digital life and expand opportunities for peripheral equipment and its market.

Under such circumstances, with the establishment of growth businesses regarded as an urgent issue, we will create new demand through the active enhancement and proposal of appealing products and services centered on the home network market after the shift to digital terrestrial broadcasts as well as the market areas of rapidly diffusing smartphones and next-generation communications in addition to solutions including data maintenance in response to business continuity plans (BCP), which have been attracting growing interest since the recent disaster, and cloud services. We will also curb the declining trend in sales brought upon by weak demand for PC peripheral equipment and a decline in sales prices. The group will work to further reduce product costs and a series of business operating costs in order to redefine our earnings structure.

Capital Investments

(Millions of yen)



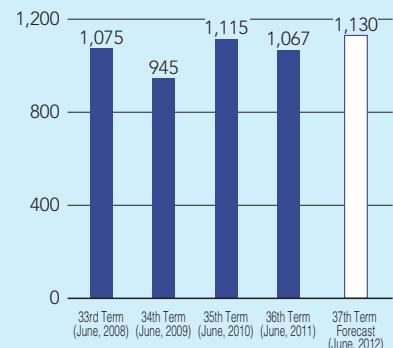
Depreciation Expense

(Millions of yen)



Research and Development Costs

(Millions of yen)



Outline | of | Sales | by | Division

Extension Memory Board Division

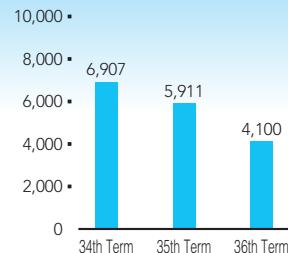
4,100
million yen

In the memory board business, sales fell below the previous consolidated fiscal year level reflecting low demand for expansion as a result of a higher initial hard disk capacity of PCs. As for flash memory products such as memory cards and USB memory devices, although we focused on launching USB memory devices compatible with USB 3.0, the next-generation USB standard which offers more than ten times

the theoretical data transfer rate, and strengthening the corporate security field, prices declined from the previous year and sales ended lower than the previous consolidated fiscal year. As a result, sales in the Extension Memory Board Division fell 30.6% year-over-year to 4,100 million yen.

Net Sales

(Millions of yen)



Storage Division

20,491
million yen

Although sale prices declined year on year mostly for external hard disk drives, our mainstay product, demand for recording applications for digital terrestrial TV remained favorable thanks to an expansion of our product lineup and a sales increase of TVs made for new installations. As a result, sales in the Storage Division exceeded those of the previous consolidated fiscal year finishing at 20,491 million yen, up 14.8% from the previous year.

Net Sales

(Millions of yen)



Liquid Crystal Division

7,712
million yen

While corporate demand remained sluggish, sales of monitors mounted with digital terrestrial tuners subject to the Eco-point system increased driven mainly by recovering personal demand. The group also continued efforts to develop technologies that will support the next generation that included the deployment of a new series of displays with “super-resolution technology” capable of beautifully

recreating low-resolution images as well as the launch of 23-inch wide 3D liquid crystal displays, a first among Japanese manufacturers.

However, sales did not reach the level of the previous consolidated fiscal year, during which deliveries in the education market expanded on the back of the School New Deal concept. The Liquid Crystal Division posted sales of 7,712 million yen, down 7.6% from the previous year.

Net Sales

(Millions of yen)



Peripheral Division

8,773
million yen

As for products related to multimedia and digital consumer electronics, we revamped our product lineup for analog TVs to meet demand arising from the shift to digital terrestrial broadcasts and introduced a tuner with a recording function using external hard disk drives in the second half of the year.

We also pioneered the development of a model for PCs

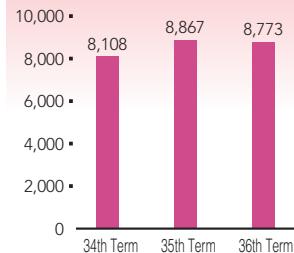
equipped with a function that compresses data volume of full high-definition images without degrading the image quality and started to offer proposals in the smartphone market after launching the "SEG CLIP mobile," a wireless one-seg tuner that enables users to easily watch one-seg broadcasting on the iPhone, iPad and iPod touch. Although we strove to add to these digital tuner-related products and expand their sales, demand for applications for additional PC installations remained weak in addition to lower sales prices than in the previous consolidated fiscal year. As a result, sales ended lower than the previous consolidated fiscal year.

Regarding network products, we strengthened our product lineup and proposal activities with respect to companies, for which we offered data back-up applications mainly for NAS (network attached storage), as well as to individuals with a focus on content sharing between household AV devices and their use via smartphones from outside the home. We also expanded our lineup of wireless LAN products and WiMAX-related products to meet demand for smartphones and mobile equipment resulting in sales surpassing the previous year's level.

Due to the above, sales in the Peripherals Division fell 1.1% from the previous year to 8,773 million yen.

Net Sales

(Millions of yen)



Custom Order Product Division

2,662
million yen

Sales of digital television-related equipment for specific customers and OEM products for communications service providers remained solid and we were selected in February of this year as a supplier by the Ministry of Internal Affairs and Communications through an open subscription process administered by its Digital Terrestrial Tuner Support Center. In relation to this initiative, we delivered digital terrestrial tuners for analog televisions contributing to sales for the Custom Order Product Division of 2,662 million yen, up 1.9 % from the previous year.

Net Sales

(Millions of yen)



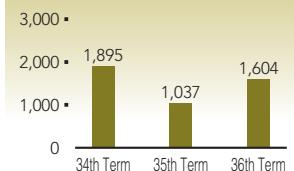
Others

1,604
million yen

Sales of other brand products and electronic components that complement our product lineup were strong leading to an increase in sales for the Other division by 54.7% from the previous year to 1,604 million yen.

Net Sales

(Millions of yen)



Consolidated | Financial | Statements

Consolidated Balance Sheets (Millions of yen)

Item	Amount	
	35th Term (As of June 30, 2010)	36th Term (As of June 30, 2011)
ASSETS		
Current Assets		
Cash and bank deposits	6,424	6,147
Notes and accounts receivable-trade	8,077	7,288
Inventories	8,316	5,459
Other	1,317	687
Less: Allowance for doubtful accounts	(81)	(20)
Total Current Assets	24,054	19,561
Fixed Assets		
Tangible fixed assets		
Land	2,880	2,880
Other	1,280	1,147
Total tangible fixed assets	4,161	4,027
Intangible fixed assets	177	177
Investments and others	2,070	2,265
Total Fixed Assets	6,409	6,470
Total Assets	30,464	26,032
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	9,494	5,835
Accrued income taxes	45	62
Reserve for point system	85	56
Other	2,093	1,904
Total Current Liabilities	11,717	7,859
Long-term Liabilities		
Reserve for retirement benefits	220	—
Reserve for directors' retirement allowances	126	126
Reserve for recycle projects	403	426
Reserve for product warranty	128	339
Other	23	126
Total Long-term Liabilities	901	1,018
Total Liabilities	12,619	8,877
NET ASSETS		
Shareholders' equity	18,635	17,772
Common stock	3,588	3,588
Capital surplus	4,228	4,228
Retained earnings	11,595	10,897
Treasury stock-at cost	(776)	(941)
Accumulated other comprehensive income	(957)	(762)
Minority interests	166	143
Total Net Assets	17,845	17,154
Total Liabilities and Net Assets	30,464	26,032

*Figures less than one million yen are rounded down.

Consolidated Statements of Income (Millions of yen)

Item	Amount	
	35th Term (Year ended June 30, 2010)	36th Term (Year ended June 30, 2011)
Net sales	44,632	45,344
Cost of sales	38,100	38,701
Gross profit	6,531	6,642
Selling, general and administrative expenses	6,218	6,624
Operating income	312	18
Other income	269	217
Other expenses	231	664
Ordinary income (loss)	350	(429)
Extraordinary income	85	133
Extraordinary loss	53	24
Net income (Net loss) before income taxes	382	(320)
Income taxes-current	100	79
Income taxes-deferred	(292)	205
Loss before minority interests	—	(605)
Minority interests in income (loss)	8	(3)
Net income (Net loss)	566	(601)

*Figures less than one million yen are rounded down.

→ ① Assets

Total assets decreased 4,432 million yen from the previous consolidated fiscal year to 26,032 million yen. This was mainly due to a decrease of 789 million yen in notes and accounts receivable-trade, 356 million yen in deferred tax assets and 2,856 million yen in inventories, respectively.

→ ② Liabilities

Liabilities decreased 3,741 million yen from the previous consolidated fiscal year to 8,877 million yen. This was due to factors including a decrease of 3,658 million yen in notes and accounts payable-trade.

→ ③ Net Assets

Net assets decreased 690 million yen from the previous consolidated fiscal year to 17,154 million yen. This was due to factors including net loss of 601 million yen and payment of dividends.

Consolidated Statements of Cash Flow (Millions of yen)

Item	Amount	
	35th Term (Year ended June 30, 2010)	36th Term (Year ended June 30, 2011)
→ 4 Cash flows from operating activities	(1,460)	417
→ 5 Cash flows from investing activities	(273)	(404)
→ 6 Cash flows from financing activities	1	(266)
Effects of exchange rate changes on cash and cash equivalents	(127)	(23)
Net decrease in cash and cash equivalents	(1,859)	(276)
Cash and cash equivalents at beginning of year	8,285	6,424
Effect of disposal of Consolidated Subsidiaries	(2)	–
Cash and cash equivalents at end of year	6,424	6,147

*Figures less than one million yen are rounded down.

→ 4 Cash flows from operating activities

Cash provided by operating activities amounted to 417 million yen (cash used in operating activities of 1,460 million yen was posted for the previous consolidated fiscal year) mainly attributable to factors including an increase in cash resulting from a decrease of 857 million yen in notes and accounts receivable-trade and a decrease of 2,856 million yen in inventories, notwithstanding a decrease in cash resulting from 320 million yen in net income before income taxes and a decrease of 3,692 million yen in notes and accounts payable-trade.

→ 5 Cash flows from investing activities

Cash used in investing activities amounted to 404 million yen (cash used in investing activities of 273 million yen was posted for the previous consolidated fiscal year) mainly due to factors including 223 million yen for the purchase of tangible fixed assets and intangible fixed assets and 139 million yen for the purchase of shares of affiliated companies.

→ 6 Cash flows from financing activities

Cash used in financing activities posted to 266 million yen (cash provided by financing activities of 1 million yen was posted for the previous consolidated fiscal year). This was due to factors including 164 million yen for acquisition of treasury stock and 96 million yen for cash dividends paid.

Consolidated Statement of Changes in Shareholders' Equity

(Millions of yen)

36th Term (Year ended June 30, 2011)	Shareholders' equity					Accumulated other comprehensive income			Minority interests
	Common stock	Capital surplus	Retained earnings	Treasury stock-at cost	Total	Net unrealized gain on investment securities	Deferred net gain on hedge	Cumulative currency translation adjustments	
Initial Balance	3,588	4,228	11,595	(776)	18,635	(66)	(513)	(378)	166
Changes									
Distribution of un appropriated earned surplus	–	–	(96)	–	(96)	–	–	–	–
Net loss	–	–	(601)	–	(601)	–	–	–	–
Acquisition of treasury stock	–	–	–	(164)	(164)	–	–	–	–
Retirement of treasury stock	–	–	–	0	0	–	–	–	–
Other changes outside shareholders' equity	–	–	–	–	–	(13)	220	(11)	(23)
Total changes	–	–	(698)	(164)	(863)	(13)	220	(11)	(23)
Ending balance	3,588	4,228	10,897	(941)	17,772	(79)	(292)	(389)	143

*Figures less than one million yen are rounded down.

Topics

Regional Contribution Activity

The head office of the Company is located in Kanazawa City, Ishikawa Prefecture.

As part of our contributions to society, we aim to become more rooted in the region and implement activities that contribute to the region through active interaction with the regional society.

◆Sai River Cleanup Walk & Run

In late April 2011, we participated in the “Sai River Cleanup Walk & Run” event organized by the Group for the Promotion of Healthy Use of the Sai River Banks, for the purpose cleaning up the local Sai River area.



◆Beautification and cleaning activities by new employees

Every year, as part of new employee training, we implement beautification and cleaning activities for the area around the head office.

This year, new employees picked up trash on sidewalks, in ditches and in parks for two hours under the slogan “Make Your Company’s Surroundings Beautiful!”

Environmental Activity

The Company is engaged in various activities geared toward the protection and conservation of the global environment.

◆Challenge 25 Campaign

We are participating as a company in “Challenge 25 Campaign,” a national grassroots movement for the prevention of global warming initiated by the government.

We aim to introduce “6 Challenges” broken down into “25 Actions” that can be implemented at the office and at home that include the switching off of lights and OA equipment during lunch breaks, setting the temperature of air conditioners to 28 degrees in the summer and 20 degrees in the winter and letting employees dress “Super Cool Biz” and “Warm Biz” throughout the company in an effort to reduce CO₂ emissions.



◆Daytime, Nighttime Power Saving Lights Down 2011 (June 22 – August 31, 2011)

Every year, the Company participates in the “CO₂ Reduction Lights Down Campaign” organized by the Ministry of the Environment.

This year, we participated in “Daytime, Nighttime Power Saving Lights Down 2011” to promote voluntary lights down even during daytime in the summer when power saving is particularly demanded, and turned off indoor lights during lunch breaks and neon billboards at night.

● Great East Japan Earthquake Recovery Support Activities

To benefit the people and regions stricken by the disaster, we donated 1 million yen in addition to funds raised by our employees and Company contributions, and provided some of our products. We are also offering special repair services for the Company's products that were damaged by the disaster.

◆ Provision of liquid crystal displays with digital terrestrial tuners

We provided 200 liquid crystal displays with digital terrestrial tuners free of charge to victims of the disaster temporarily living in public housing within Ishikawa Prefecture.



A liquid crystal display provided by the Company is placed between Governor Tanimoto of Ishikawa Prefecture (right) and our President

◆ Provision of data communication environment through "WiMAX"

In cooperation with the Company's business partners, we provided 100 sets of items that make up the "WiMAX" data communication environment offering high-speed and large-capacity mobile broadband communications to be used as communication environment equipment and lines for temporary terminals at Sendai City Hall.

(UQ Communications Inc. (Head Office: Tokyo) has provided WiMAX lines for a fixed period of time and Yoshida Printing Inc. (Head Office: Ishikawa Prefecture) is cooperating in the printing of manuals for connection to the equipment.)



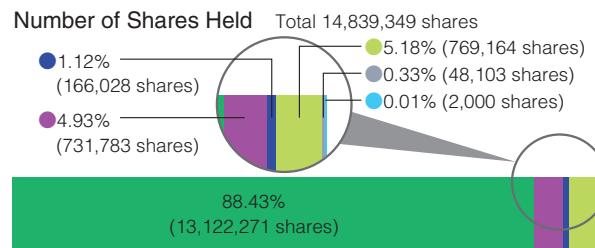
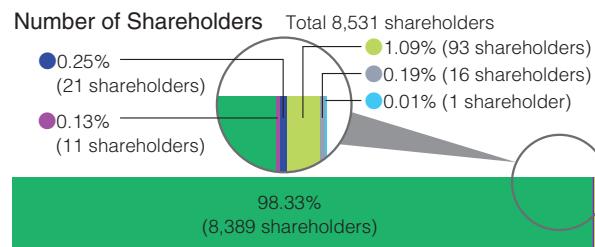
Status of Shares (As of June 30, 2011)

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	8,531

Major Shareholders (As of June 30, 2011)

Names	Investment by these shareholders in the Company	
	Number of shares held	Share holding percentage
Akio Hosono	4,514,643	30.42%
I-O DATA DEVICE, INC.	1,440,072	9.70
Yukie Hosono	763,780	5.15
The Hokkoku Bank, Ltd.	306,662	2.07
TRENT Ltd.	269,675	1.82
MITSUBISHI KAGAKU MEDIA CO., LTD.	200,000	1.35
Mizuho Bank, Ltd.	153,331	1.03

Distribution of Shares by Shareholder Type (As of June 30, 2011)



● Government / Local public authorities ● Individuals, Others ● Financial institutions
● Securities companies ● Other domestic corporations ● Foreign entities

Company Profile

Outline (As of June 30, 2011)

■ Name	I-O DATA DEVICE, INC.
■ Established	January 10, 1976
■ Capital	3,588.07 million yen
■ Employees	554 (Non-Consolidated) 586 (Consolidated)

Board of Directors (As of September 28, 2011)

President	Akio Hosono
Executive Director	Nobuo Ikeda
Director	Hiroshi Kawada
Director	Naonori Hamada
* Director	Yoshihiro Nitta
Standing Statutory Auditor	Masakatsu Ikeda
** Statutory Auditor	Akira Mizutani
** Statutory Auditor	Koichi Matsuki
** Statutory Auditor	Atsushi Yokomoto

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

Offices (As of September 28, 2011)

Headquarters and Factory	3-10 Sakurada-machi, Kanazawa, Ishikawa
Sales Headquarters in Tokyo	4-14-1 Sotokanda, 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 and account management institution for special accounts:	The Sumitomo Trust & Banking Co., Ltd. 4-5-33 Kitahama, Chuo-ku, Osaka
Handling Office:	The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department 4-5-33 Kitahama, Chuo-ku, Osaka The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department 1-10 Nikko-cho, Fuchu, Tokyo 183-8701 http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html
Mailing Address:	Osaka Securities Exchange's Jasdq market
Website:	6916
Listed Stock Exchange:	
Security Code:	

I-O DATA DEVICE, INC.

I-O DATA

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

