

I-O DATA

I-O DATA DEVICE, INC.

The 37th term Annual Report

From July 1, 2011 to June 30, 2012



Security Code : 6916

I-O DATA OUTLINE

**Make PC peripherals into peripherals for every customer
We support a rich digital life.**

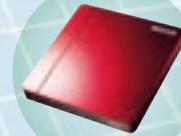
The peripheral devices can make your PC and digital devices fit for your wishes. I-O DATA has received high estimation from the market in this field because of designs that appeal to the sensibilities of users, not to mention the functionality and the usability.

Our constant mission is to comply with various needs by the products which suit the times. That's why, in the information-oriented society, we have established a technical skill for more than 35 years. To support your digital life, I-O DATA listens to each customer, and keeps challenging as much as possible.

■ Extension Memory Board Division

<p>Memory DDR3 SDRAM (for Notebook) Personal Computers</p>  <p>SDY1333 Series</p>	<p>Memory DDR3 SDRAM (for Desktop) Personal Computers</p>  <p>DY1333 Series</p>	<p>SDHC Memory Card</p>  <p>SDH-W Series</p>	<p>USB Memory</p>  <p>TB-OC Series</p>
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■ Storage Division

<p>External Hard Disk Drive</p>  <p>HDCA-U Series</p>	<p>External Hard Disk Drive</p>  <p>HDJ-UT Series</p>	<p>Portable Hard Disk Drive</p>  <p>HDPC-UT Series</p>	<p>Portable Blu-ray Drive</p>  <p>BRP-U6C Series</p>
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■ Liquid Crystal Division

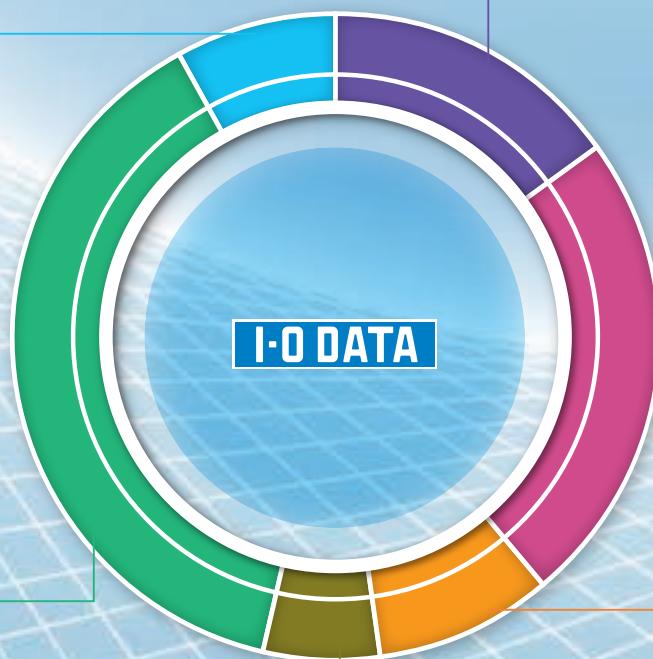
<p>17-inch Liquid Crystal Display with LED Backlight Systems</p>  <p>LCD-AD179GEW</p>	<p>23.6-inch Wide Liquid Crystal Display mounted with Digital Terrestrial Tuner</p>  <p>LCD-DTV244XBR</p>	<p>23-inch Wide Liquid Crystal Display mounted with Super-resolution Technology</p>  <p>LCD-MF234XBR</p>	<p>Windows 7 Multi-Touch 21.5-inch Wide Liquid Crystal Display</p>  <p>LCD-MF222FBR-T</p>
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■ Peripheral Division

<p>High-Definition Recording Hard Disk</p>  <p>HVL-AVS Series</p>	<p>Digital Terrestrial, BS High-Definition Tuner Recorder</p>  <p>HVTR-BTL</p>
<p>Hard Disk with LAN Connection LAN DISK (for Business use)</p>  <p>HDL-XR Series</p>	<p>Hard Disk with LAN Connection LAN DISK (for Personal use)</p>  <p>HDL-CE Series</p>
<p>Wireless LAN Router</p>  <p>WN-AG450DGR</p>	<p>TV Capture compatible with digital terrestrial and one-seg broadcasting</p>  <p>GV-MVP/FZ</p>

■ Custom Order Product Division

■ Others



Greetings to Our Shareholders



Akio Hosono
Akio Hosono, President

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

As of June 30, 2012, we completed our 37th fiscal year (from July 1, 2011 to June 30, 2012). 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 2012

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Overview of the Fiscal Year under Review

Though successful in getting over the worst period of the aftermath of the Great East Japan Earthquake and entering a gentle path of recovery, the Japanese economy during the current consolidated fiscal year continued to stagnate and face severe conditions mainly due to growing anxiety over the slowdown of the global economy, the prolonged appreciation of the yen, and the flood damage in Thailand.

As for the personal computer (PC) market and the peripheral equipment market for digital consumer electronics products in which our group of companies operates, sales remained sluggish during the most important and intensely competitive selling season, mainly due to the weak demand for TVs after the full-fledged shift to digital terrestrial broadcasting in July 2011 (excluding three prefecture of the Tohoku area) and the shortages in electronic parts resulting from the flood damage in Thailand, though surging demand for smartphones provided some respite.

Under such circumstances, with the establishment of the next growth businesses regarded as an urgent issue, we strove to create new demand of additional installations of peripherals and to strengthen our businesses

centering on the home network, smartphone, and data maintenance markets. Furthermore demand for additional installations was sluggish in the PC peripheral market and demand for TVs declined in the Storage Division, our mainstay division, while the flood damage in Thailand caused shortages in the supply of hard disk drives. Under these downward pressures, sales significantly fell below the levels of the previous consolidated fiscal year.

On the profit side, our efforts to increase sales of value-added products mostly in the Custom Order Product Division and to reduce product costs and operating costs bore fruit. The gains achieved through these efforts, together with the restored price of hard disk drives thanks to the tightened supply and demand, were enough to offset decreasing sales levels.

As a result, for this consolidated fiscal year, we posted group sales of 38,551 million yen (down 15.0% from the previous year), operating income of 217 million yen (up 1,102.4% from 18 million yen of operating income in the previous year), ordinary income of 368 million yen (ordinary loss of 429 million yen in the previous year), and net income of 364 million yen (net loss of 601 million yen in the previous year).

Main management index

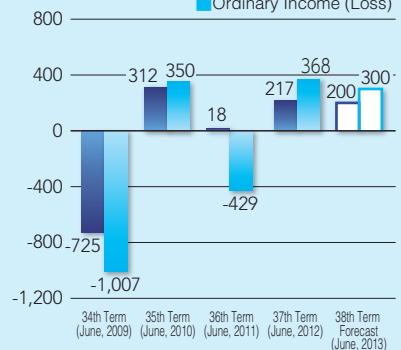
Net Sales

(Millions of yen)



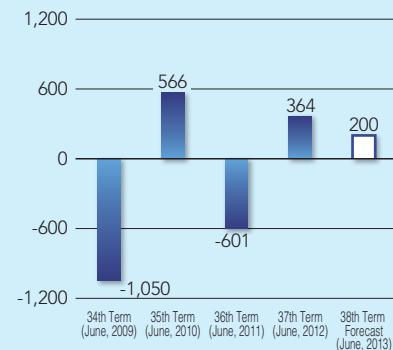
Operating Income (Loss), Ordinary Income (Loss)

(Millions of yen)



Net Income (Loss)

(Millions of yen)



■ Outlook for the Next Fiscal Year

Looking at the future business environment, although the gentle recovery trend continues on the back of post-quake reconstruction demand, we see little room for optimism about the future of the economy in view of the prolonged appreciation of the yen and growing anxiety over the stagnancy of the global economy.

The PC market and the peripheral equipment market for digital consumer electronics in which our group of companies operates is also expected to witness difficulties, as demand for additional PC installation continues to lack strength and the TV-related market remains sluggish. On the other side, however, rapidly diffusing smartphones and tablet terminals are expected to enter a period of full-fledged growth, and the fusion between these smart devices and TVs, consumer electronics, office business systems, etc. is producing new digital lifestyles and expanding opportunities for peripheral equipment and its market.

Under such circumstances, we will aim both at growth and stable profitability at the same time, work to enhance appealing products and services that support new digital lifestyles and business scenes, and actively create new demands. We will also seek to turn around

the decreasing sales trend resulting from sluggish demand and declining sales prices in the PC peripheral market by scrupulously developing businesses and strengthening operations in response to the features of market segments, including industry and regional segments.

Though anxious over the stagnant markets for electronic parts and intensified competition linked to the sluggish demand persisting from the second half of the previous consolidated fiscal year, we will review our businesses and product structure with a view to changing to a profitable corporation. We will also improve profitability by strengthening inventory control and seeking low-cost operations in existing business areas where added parts installations are trending upward.

Through these efforts, we expect to achieve group sales of 40,000 million yen (up 3.8% from this year), operating income of 200 million yen (down 7.9% from this year), ordinary income of 300 million yen (down 18.5% from this year), and net income of 200 million yen (down 45.1% from this year) in the next consolidated fiscal year.

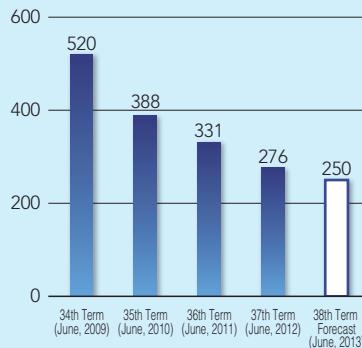
Capital Investments

(Millions of yen)



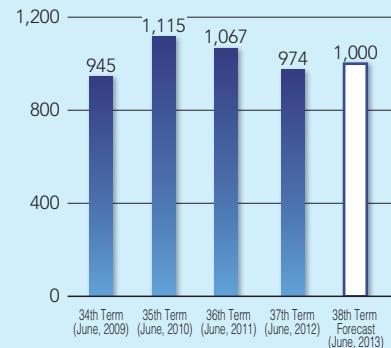
Depreciation Expense

(Millions of yen)



Research and Development Costs

(Millions of yen)



■ Outline of Sales by Division >>>



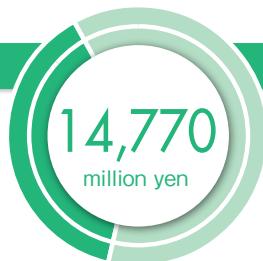
Extension Memory Board Division

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 and the downward trend of DRAM prices. As for flash memory products, while prices declined from the previous consolidated fiscal year, sales remained almost unchanged from the previous consolidated fiscal year due to expanding

sales of secure digital memory cards and strengthened product lineups, including USB memory devices compatible with USB 3.0. As a result, sales in the Extension Memory Board Division fell 26.0% year-over-year to 3,035 million yen.

Net Sales

(Millions of yen)



Storage Division

Demand for TVs declined and the flood damage in Thailand caused a shortage in the supply of hard disk drives, mainly external hard disk drives, our mainstay product.

As a result, sales in the Storage Division fell short of those of the previous consolidated fiscal year, finishing at 14,770 million yen, down 27.9% from the previous year.

Net Sales

(Millions of yen)



Liquid Crystal Division

In the current consolidated fiscal year the group focused on efforts to develop a new series of displays that deploy "super-resolution technology" capable of beautifully recreating low-resolution images, as well as lower-power consumption models with LED backlight systems.

The Liquid Crystal Division, however, posted sales of 5,785 million yen, down 25% from the previous year, due to a

decrease in the sale of monitors mounted with digital terrestrial tuners, a product lineup that had increased in the previous consolidated fiscal year thanks to the Eco-point system and demand for the shift to digital terrestrial broadcasts.

Net Sales

(Millions of yen)



Peripheral Division

9,204
million yen

As for products related to multimedia and digital consumer electronics, we accelerated the development of products for smartphones and tablet terminals and started to offer proposals for new scenarios for the use of products that enable users to watch digital terrestrial TV broadcasts of high-definition images on their iPhones or iPads by combining wireless LAN routers and tuners. As

a whole, however, sales fell below the level of the previous consolidated fiscal year, mainly due to the decreased sales of digital terrestrial tuners attributable to the waning demand for digital terrestrial TVs. Regarding network products, in order to offer optimal proposals for connection and link with smartphones, content sharing between household AV devices, and corporate data maintenance, we strove to develop new functions and increase sales focused mainly on wireless LAN products and NAS (network attached storage). As a result, sales exceeded the levels of the previous consolidated fiscal year. As for NAS, we realized enhancement of remote access-compatible model that links devices via smartphones from outside the home and a link function with "Dropbox," the popular cloud storage service. In addition, for companies we started to develop products integrated with virtualization of storage and backup software. As a result, sales in the Peripheral Division were 9,204 million yen, up 4.9% from the previous consolidated fiscal year.

Net Sales

(Millions of yen)



Custom Order Product Division

3,498
million yen

Compared with the previous consolidated fiscal year, when initiatives were changed, sales of digital consumer electronics-related equipment and OEM products for communications service providers increased favorably in the current consolidated fiscal year. As a result, sales in the Custom Order Product Division were 3,498 million yen, up 31.4 % from the previous year.

Net Sales

(Millions of yen)



Others

2,256
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 40.6% from the previous year to 2,256 million yen.

In addition, as part of our ongoing efforts to strengthen product lineups and business development, we established ITG Marketing, Inc., a consolidated subsidiary, effective on March 9, 2012, and started domestic sales of SSDs (a storage device using flash memory) manufactured by SAMSUNG ELECTRONICS CO., LTD.

Net Sales

(Millions of yen)

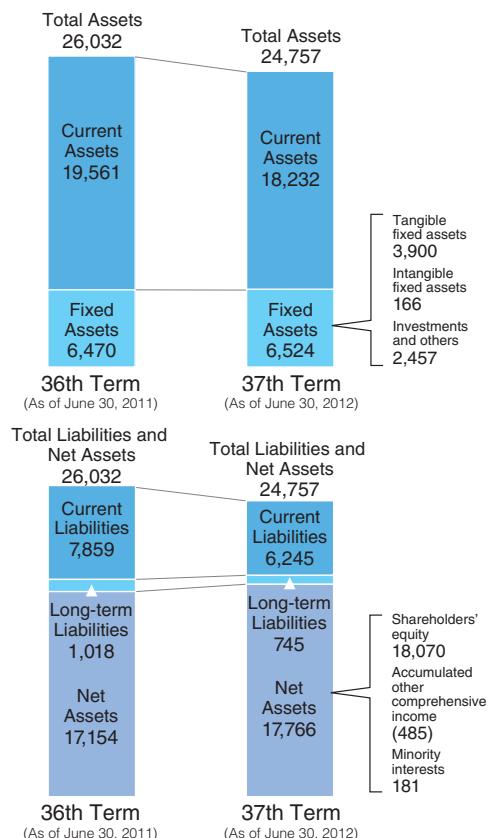


Consolidated Financial Statements >>>

Consolidated Balance Sheets (Millions of yen)

(Millions of yen)

Item	Amount	
	36th Term (As of June 30, 2011)	37th Term (As of June 30, 2012)
ASSETS		
Current Assets		
Cash and bank deposits	6,147	5,119
Notes and accounts receivable-trade	7,288	6,324
Inventories	5,459	6,112
Other	687	685
Less: Allowance for doubtful accounts	(20)	(9)
Total Current Assets	19,561	18,232
Fixed Assets		
Tangible fixed assets		
Land	2,880	2,880
Other	1,147	1,019
Total tangible fixed assets	4,027	3,900
Intangible fixed assets	177	166
Investments and others	2,265	2,457
Total Fixed Assets	6,470	6,524
Total Assets	26,032	24,757
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	5,835	4,098
Short-term loans payable	—	1,000
Accrued income taxes	62	65
Reserve for point system	56	24
Other	1,904	1,057
Total Current Liabilities	7,859	6,245
Long-term Liabilities		
Reserve for directors' retirement allowances	126	110
Reserve for recycle projects	426	333
Reserve for product warranty	339	222
Other	126	78
Total Long-term Liabilities	1,018	745
Total Liabilities	8,877	6,990
NET ASSETS		
Shareholders' equity	17,772	18,070
Common stock	3,588	3,588
Capital surplus	4,228	4,228
Retained earnings	10,897	11,194
Treasury stock-at cost	(941)	(941)
Accumulated other comprehensive income	(762)	(485)
Minority interests	143	181
Total Net Assets	17,154	17,766
Total Liabilities and Net Assets	26,032	24,757



→ ① Assets
Total assets decreased 1,275 million yen from the previous consolidated fiscal year to 24,757 million yen. This was mainly due to a decrease of 1,027 million yen in cash and bank deposits, a decrease of 964 million yen in notes and accounts receivable-trade, and other factors, despite an increase of 652 million yen in inventories.

→ ② Liabilities
Liabilities decreased 1,887 million yen from the previous consolidated fiscal year to 6,990 million yen. This was due to factors including a decrease of 1,737 million yen in notes and accounts payable-trade, in spite of an increase of 1,000 million yen in short-term loans payable as funds for the settlement of notes and accounts payable-trade, etc. at the end of the current consolidated fiscal year.

→ ③ Net Assets
Net assets increased 611 million yen from the previous consolidated fiscal year to 17,766 million yen. This was due to factors including net income of 364 million yen.

*Figures less than one million yen are rounded down.

Consolidated Statements of Income (Millions of yen)

Item	Amount	
	36th Term (Year ended June 30, 2011)	37th Term (Year ended June 30, 2012)
Net sales	45,344	38,551
Cost of sales	38,701	32,070
Gross profit	6,642	6,480
Selling, general and administrative expenses	6,624	6,263
Operating income	18	217
Other income	217	280
Other expenses	664	130
Ordinary income (loss)	(429)	368
Extraordinary income	133	–
Extraordinary loss	24	86
Net income (Net loss) before income taxes	(320)	281
Income taxes-current	79	77
Income taxes-deferred	205	(168)
Net income (Net loss) before minority interests	(605)	372
Minority interests in income (loss)	(3)	8
Net income (Net loss)	(601)	364

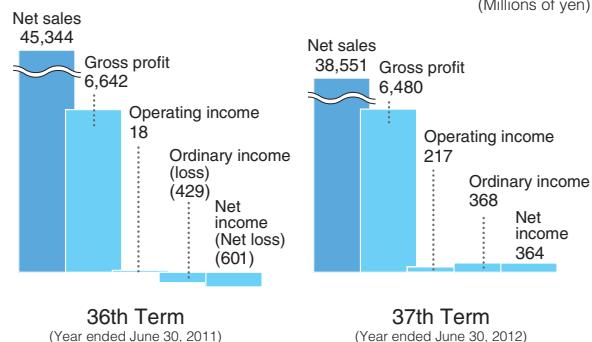
*Figures less than one million yen are rounded down.

Consolidated Statements of Cash Flow (Millions of yen)

Item	Amount	
	36th Term (Year ended June 30, 2011)	37th Term (Year ended June 30, 2012)
→ 4 Cash flows from operating activities	417	(1,602)
→ 5 Cash flows from investing activities	(404)	(296)
→ 6 Cash flows from financing activities	(266)	932
Effects of exchange rate changes on cash and cash equivalents	(23)	(61)
Net decrease in cash and cash equivalents	(276)	(1,027)
Cash and cash equivalents at beginning of year	6,424	6,147
Cash and cash equivalents at end of year	6,147	5,119

*Figures less than one million yen are rounded down.

(Millions of yen)



→ 4 Cash flows from operating activities

Cash used in operating activities amounted to 1,602 million yen (cash provided by operating activities of 417 million yen was posted for the previous consolidated fiscal year) mainly due to factors including an increase in cash resulting from 281 million yen in net income before income taxes, a decrease of 945 million yen in notes and accounts receivable-trade, a decrease in cash resulting from a decrease of 1,733 million yen in notes and accounts payable-trade, and an increase of 653 million yen in inventories.

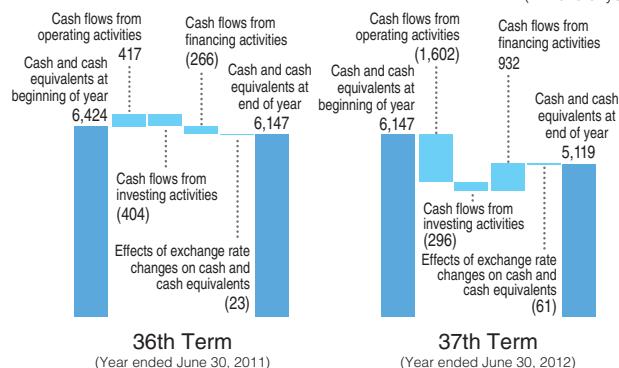
→ 5 Cash flows from investing activities

Cash used in investing activities amounted to 296 million yen (cash used in investing activities of 404 million yen was posted for the previous consolidated fiscal year) mainly due to factors including 148 million yen for the purchase of tangible fixed assets and intangible fixed assets and 151 million yen for the purchase of investment securities.

→ 6 Cash flows from financing activities

Cash provided by financing activities amounted to 932 million yen (cash used in financing activities of 266 million yen was posted for the previous consolidated fiscal year). This was due to factors including 1,000 million yen of short-term loans payable as funds for the settlement of notes and accounts payable-trade, etc. at the end of the current consolidated fiscal year and 67 million yen for cash dividends paid.

(Millions of yen)



Topics

Regional Contribution Activity

The head office of the Company is located at 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.

◆Seashore Cleanup “Clean Beach Ishikawa”

We participated as a corporation in “Clean Beach Ishikawa,” a seashore-cleanup event at which many companies and individuals worked together.

The occasion was favored by fine weather, which allowed event participants to clean up almost 9 kilometers of coastline in Kanazawa City in one hour.

At a glance we found little garbage at the beaches and shorelines, but abundant floatage and abandoned waste turned up as time passed. All of the event participants managed to fill their trash bags with lots of garbage.



Environmental Activity

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



◆Lights Down Japan 2012 (June 21 – July 7, 2012)

Every year, the Company participates in the “CO₂ Reduction Lights Down Campaign” organized by the Ministry of the Environment. Fiscal 2012 marks the 10th anniversary of the launch of the campaign. The slogan for the “Lights Down Japan 2012” campaign was “Turn off electricity and look ahead to the future.” We turned off indoor lights during lunch breaks and neon billboards at night.

Designated as the ‘Ishikawa Manufacturing Industry Heritage’

The Extension Memory Board for the PC-9800 Series, a product we launched to market in 1984, was designated as the ‘Ishikawa Manufacturing Industry Heritage’ (*) for fiscal 2011.

In the future we will work on advanced manufacturing useful to customers.

(*) What is the ‘Ishikawa Manufacturing Industry Heritage’?

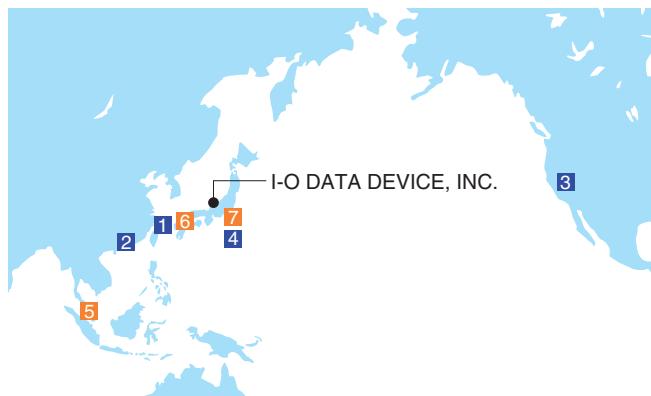
Machines that have significantly contributed to the development of basic manufacturing industries in fields such as machines, fibers, foods, IT, and traditional trades and handicrafts are designated by Ishikawa Prefecture as ‘Manufacturing Industry Heritages.’

Through this designation system, Ishikawa Prefecture works to enlighten its citizens on “valuable assets to be passed on to future generations” and to nurture a younger generation to support the next generation with enhanced awareness of manufacturing and a long-term commitment to further promoting and developing manufacturing industries mainly by information transmission in and out of the prefecture.



■ Status of Corporate Group / Status of Shares >>>

(As of June 30, 2012)



I-O DATA DEVICE, INC. 3

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 & YT (Hong Kong) Ltd.	HK\$2,550,000	See※
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	49.00%
6 DigiOn, Inc.	¥696,350,000	38.15%
7 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.

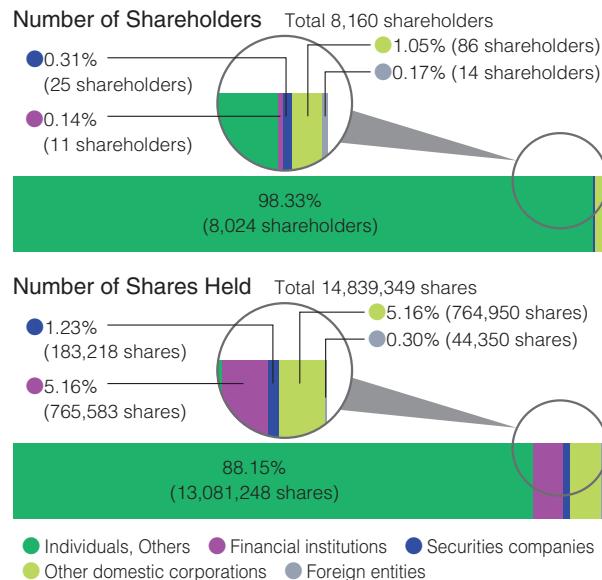
Status of Shares (As of June 30, 2012)

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	8,160

Major Shareholders (As of June 30, 2012)

Names	Number of shares held	Ratio of shareholding
Akio Hosono	4,514,643	30.42 ⁹⁶
I-O DATA DEVICE, INC.	1,440,102	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, 2012)



Company Profile

Outline (As of June 30, 2012)

■ Name	I-O DATA DEVICE, INC.
■ Established	January 10, 1976
■ Capital	3,588.07 million yen
■ Employees	541 (Non-Consolidated) 576 (Consolidated)

Board of Directors (As of September 26, 2012)

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 26, 2012)

Headquarters and Factory	3-10 Sakurada-machi, Kanazawa, Ishikawa
Tokyo Office	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 Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Handling Office:	The Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 4-5-33 Kitahama, Chuo-ku, Osaka
Mailing Address:	The Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 1-10 Nikko-cho, Fuchu-shi, Tokyo 183-8701 http://www.smtb.jp/personal/agency/index.html
Website:	http://www.smtb.jp/personal/agency/index.html
Listed Stock Exchange:	Osaka Securities Exchange's Jasdaq market
Security Code:	6916

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