

進化する明日へ Continue thinking
I-O DATA



The 38th term Annual Report

From July 1, 2012 to June 30, 2013

I-O DATA DEVICE, INC.

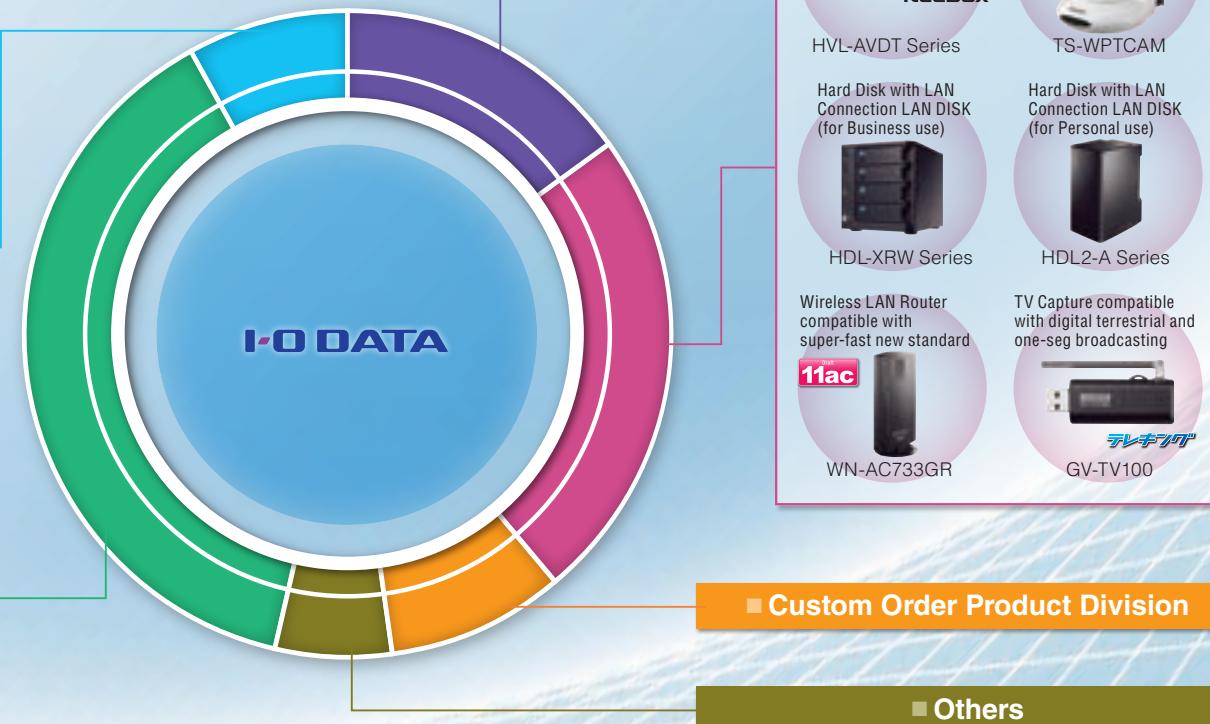
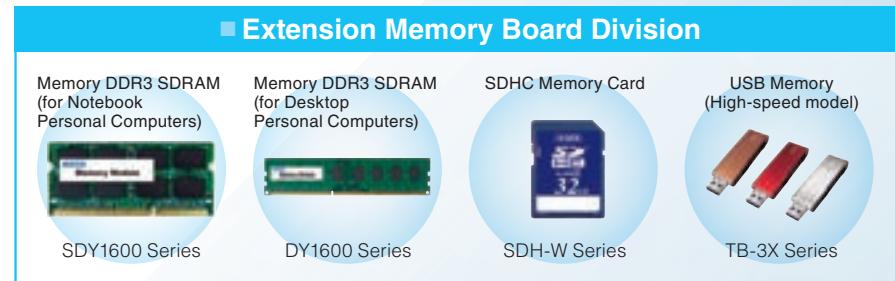
Security Code : 6916

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.



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, 2013, we completed our 38th fiscal year (from July 1, 2012 to June 30, 2013). 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 2013

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■ The Outline of Sales >>>

■ Overview of the Fiscal Year under Review

Rising stock prices and the ongoing correction of the appreciation of the yen since the change of the administration buoyed the mood for recovery, but the Japanese economy during the current consolidated fiscal year continued to stagnate and faced severe conditions as a whole due to the prolonged stagnation of the global economy.

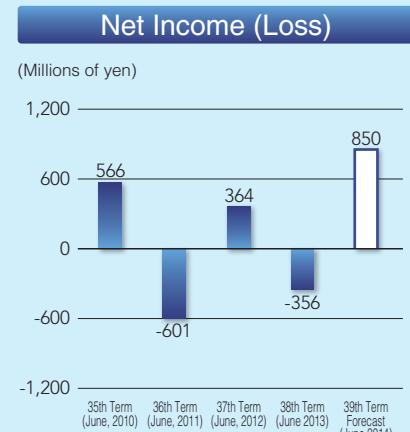
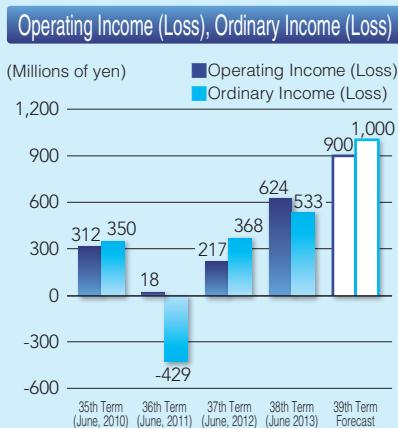
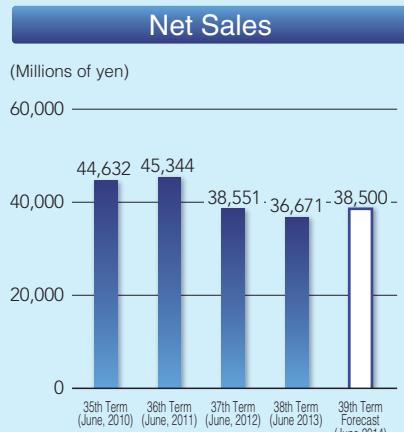
As for the peripheral equipment market for digital consumer electronics products with which our group deals, rapidly diffusing smartphones and tablet terminals has entered a period of full-fledged growth, and the related markets experienced rising demand. Meanwhile, the longstanding slump in demand in PC-related fields persisted, while demand in TV-related fields rapidly dropped after the shift to digital terrestrial broadcasting. As a result of downward pressures, markets remained stagnant as a whole.

Under such circumstances, we strove to proactively create demand with a view to establishing growth potential and stable profitability by developing proposals for novel business settings and lifestyles centering on areas related to smart devices. Regrettably, these efforts were not enough to offset the decrease in sales due to the sluggish demand for peripherals for PCs and TVs. As a result, group sales fell below the level of the previous consolidated fiscal year.

On the profit side, we were forced to post losses in the first quarter due to declining product prices and inventory adjustments, but a radical reduction of production costs and operating costs as well as the various measures such as the product offering and sales policies emphasizing profitability later bore fruit. As a result we have been continuously able to report quarterly income since the second quarter, and operating income and ordinary income for the current consolidated fiscal year exceeded the level of the previous consolidated fiscal year. As for net income, however, since we have decided to implement measures to streamline management in the current consolidated fiscal year, including measures to encourage voluntary retirement in light of the severe business environment and delayed progress in performance, we posted business structure improvement expenses of 412 million yen as an extraordinary loss. In addition, as a result of a partial reversal of deferred tax assets and the effect of accounting for 295 million yen on income taxes-deferred, we have reported net loss.

As a result, for the current consolidated fiscal year, we posted group sales of 36,671 million yen (down 4.9% from the previous year), operating income of 624 million yen (up 187.7% from the previous year), ordinary income of 533 million yen (up 44.9% from the previous year), and net loss of 356 million yen (net income of 364 million yen in the previous year).

■ Main management index



Outlook for the Next Fiscal Year

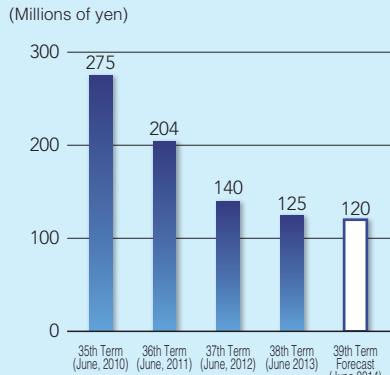
Looking at the future business environment, the recovery trend is expected to continue thanks to the ongoing correction of the appreciation of the yen and the stock price recovery fueled by the various stimulus measures of the new administration. However, we see little room for optimism about the future of the economy in view of rising imports and energy costs associated with the weaker yen and growing anxiety over the stagnancy of the global economy.

The peripheral equipment market for digital consumer electronics with which our group deals 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 has entered 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 new proposal for peripheral equipment and its market. Under such circumstances, we will aim at establishing growth potential and stable profitability, accelerate the enhancement of appealing products and services that support new digital lifestyles and business settings, and actively create new demands. We will also seek to turn around the decreasing sales trend resulting from

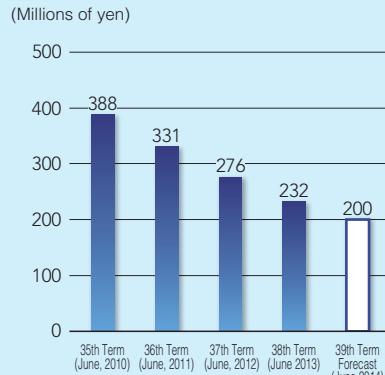
sluggish demand and declining sales prices in the PC peripheral market by scrupulously developing businesses and strengthening operations in response to the features of markets by industries or regions. Though anxious over rising costs for electronic parts linked to the weaker yen, we will absorb these effects through the management-streamlining measures implemented in the current consolidated fiscal year. We will also improve profitability by further reducing production costs, seeking low-cost operations, and developing our businesses with an emphasis on profitability.

Through these efforts, we expect to achieve group sales of 38,500 million yen (up 5.0% from this year), operating income of 900 million yen (up 44.0% from this year), ordinary income of 1,000 million yen (up 87.4% from this year), and net income of 850 million yen (net loss of 356 million yen in this year) in the next consolidated fiscal year.

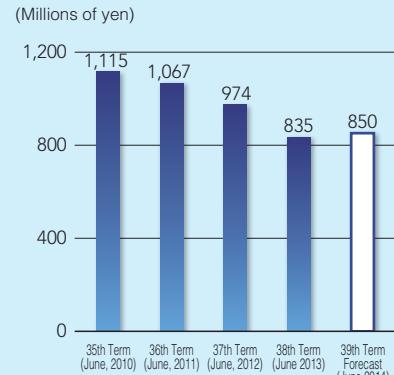
Capital Investments



Depreciation Expense



Research and Development Costs



■ Outline of Sales by Division >>>



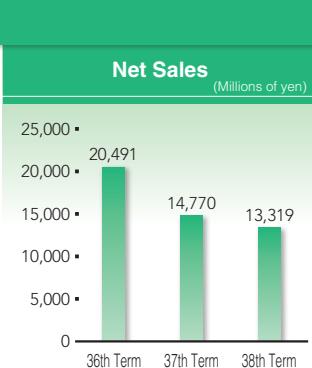
Extension Memory Board Division

In the memory board business, sales fell below the level of the previous consolidated fiscal year reflecting ongoing 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, we made efforts to increase sales with a main focus on USB memory devices compatible with the USB 3.0 high-speed standard, but prices declined and sales ended lower than the previous consolidated fiscal year. As a result, sales in the Extension Memory Board Division fell 19.3% year-over-year to 2,449 million yen.



Storage Division

We started proposing high-function models specially designed for TV recording and shockproof portable hard disk drives mounted with G sensors to protect data from falls and impacts, but sales remained sluggish for general-purpose hard disk drives for recording, our mainstay product, reflecting stagnant TV sales. As a result, sales in the Storage Division fell short of those of the previous consolidated fiscal year, finishing at 13,319 million yen, down 9.8% from the previous year.



Liquid Crystal Division

The group focused on efforts to expand sales of 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, a product lineup we had expanded in the previous consolidated fiscal year. The Liquid Crystal Division, however, posted sales of 5,257 million yen, down 9.1% from the previous year, due to overall sluggish demand and a decrease in the sale of models mounted with digital terrestrial tuners.





Peripheral Division

As for products related to multimedia and digital consumer electronics, we strengthened our efforts 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 smartphones or tablet terminals. As a whole, however, sales fell far below the level of the previous consolidated fiscal year, mainly due to the significantly 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 smart devices, content sharing between household AV devices, and corporate data maintenance, we strove to launch new products to market and develop new functions focused mainly on wireless LAN products and NAS (network attached storage). Sales volume increased as a result, but sales amount fell slightly short of the levels of the previous consolidated fiscal year because prices declined. We launched a product lineup equipped with technologies configured for "11ac" wireless LAN transmission, the next-generation wireless LAN standard capable of transmitting wireless data 11.5 times faster than conventional products at standard value. We also launched a series of remote monitoring network cameras for smartphones. As for NAS, we expanded function services for companies targeting higher reliability and realized a link function with "Dropbox" and "Amazon S3," the popular cloud storage services. For home, we launched "RECBOX + REMOTE," a new NAS model equipped with the world's first DTCP+ technology to enable mobile device users outside home to access and view copyright-protected digital broadcast programs recorded on TV hard disks. As a result, sales in the Peripheral Division were 7,335 million yen, down 20.3% from the previous consolidated fiscal year.



Custom Order Product Division

Sales of peripherals for digital consumer electronics 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 4,015 million yen, up 14.8% from the previous consolidated fiscal year.



Others

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 90.3% from the previous consolidated fiscal year to 4,293 million yen. Sales of SSD (Solid State Drive) manufactured by SAMSUNG ELECTRONICS CO., LTD. increased, and we started sales of Verbatim brand optical disks and other products from April 2013.



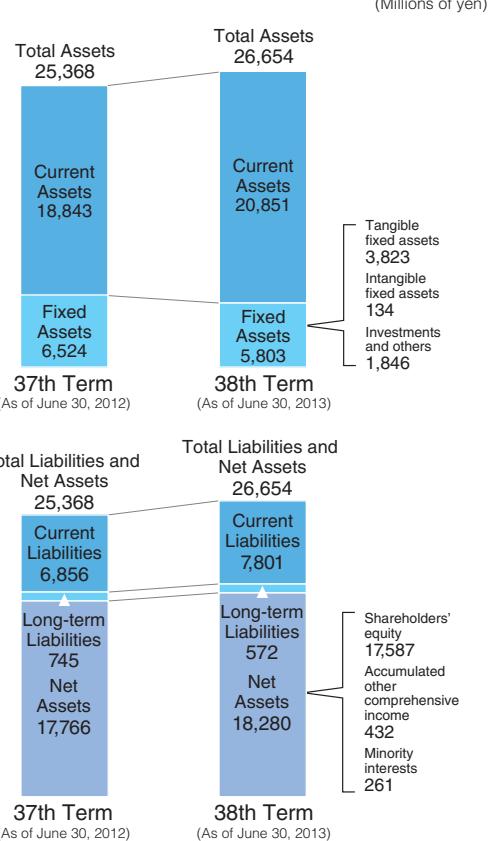
■ Consolidated Financial Statements >>>

Consolidated Balance Sheets

(Millions of yen)

Item	Amount		(Millions of yen)
	37th Term (As of June 30, 2012)	38th Term (As of June 30, 2013)	
ASSETS			
Current Assets			
Cash and bank deposits	5,119	4,794	
Notes and accounts receivable-trade	6,935	7,890	
Inventories	6,112	6,545	
Other	685	1,633	
Less: Allowance for doubtful accounts	(9)	(13)	
Total Current Assets	18,843	20,851	
Fixed Assets			
Tangible fixed assets			
Land	2,880	2,880	
Other	1,019	942	
Total tangible fixed assets	3,900	3,823	
Intangible fixed assets	166	134	
Investments and others	2,457	1,846	
Total Fixed Assets	6,524	5,803	
Total Assets	25,368	26,654	
LIABILITIES			
Current Liabilities			
Notes and accounts payable-trade	4,098	5,791	
Short-term loans payable	1,000	—	
Accrued income taxes	65	132	
Reserve for point system	24	20	
Provision for business structure improvement	—	19	
Other	1,668	1,837	
Total Current Liabilities	6,856	7,801	
Long-term Liabilities			
Reserve for directors' retirement allowances	110	110	
Reserve for recycle projects	333	324	
Reserve for product warranty	222	98	
Other	78	38	
Total Long-term Liabilities	745	572	
Total Liabilities	7,601	8,373	
NET ASSETS			
Shareholders' equity	18,070	17,587	
Common stock	3,588	3,588	
Capital surplus	4,228	4,228	
Retained earnings	11,194	10,771	
Treasury stock-at cost	(941)	(1,000)	
Accumulated other comprehensive income	(485)	432	
Minority interests	181	261	
Total Net Assets	17,766	18,280	
Total Liabilities and Net Assets	25,368	26,654	

*Figures less than one million yen are rounded down.



→① Assets

Total assets increased 1,286 million yen from the previous consolidated fiscal year to 26,654 million yen. This was mainly due to an increase of 955 million yen in notes and accounts receivable-trade, 433 million yen in inventories, and 832 million yen in derivatives, and other factors, despite a decrease of 616 million yen in deferred tax assets.

→② Liabilities

Liabilities increased 771 million yen from the previous consolidated fiscal year to 8,373 million yen. This was due to factors including an increase of 1,693 million yen in notes and accounts payable-trade, in spite of a decrease of 1,000 million yen in short-term loans payable as funds for the settlement of notes and accounts payable-trade, etc.

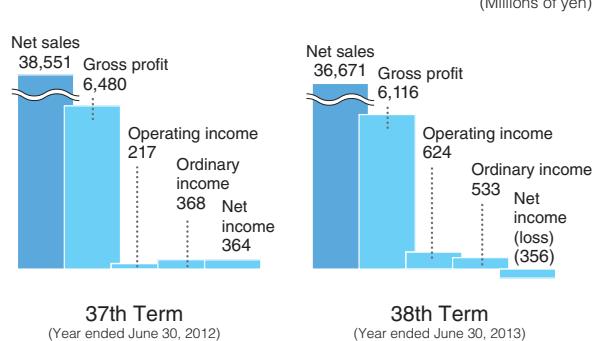
→③ Net Assets

Net assets increased 514 million yen from the previous consolidated fiscal year to 18,280 million yen. This was due to factors including an increase of 560 million yen in deferred gains or losses on hedges, in spite of a net loss of 356 million yen.

Consolidated Statements of Income (Millions of yen)

Item	Amount	
	37th Term (Year ended June 30, 2012)	38th Term (Year ended June 30, 2013)
Net sales	38,551	36,671
Cost of sales	32,070	30,554
Gross profit	6,480	6,116
Selling, general and administrative expenses	6,263	5,491
Operating income	217	624
Other income	280	262
Other expenses	130	353
Ordinary income	368	533
Extraordinary loss	86	416
Net income before income taxes	281	116
Income taxes-current	77	131
Income taxes-deferred	(168)	295
Net income (Net loss) before minority interests	372	(310)
Minority interests in income	8	46
Net income (Net loss)	364	(356)

*Figures less than one million yen are rounded down.



Consolidated Statements of Cash Flow (Millions of yen)

Item	Amount	
	37th Term (Year ended June 30, 2012)	38th Term (Year ended June 30, 2013)
→④ Cash flows from operating activities	(1,602)	810
→⑤ Cash flows from investing activities	(296)	(239)
→⑥ Cash flows from financing activities	932	(1,132)
Effects of exchange rate changes on cash and cash equivalents	(61)	236
Net decrease in cash and cash equivalents	(1,027)	(325)
Cash and cash equivalents at beginning of year	6,147	5,119
Cash and cash equivalents at end of year	5,119	4,794

*Figures less than one million yen are rounded down.

→④ Cash flows from operating activities

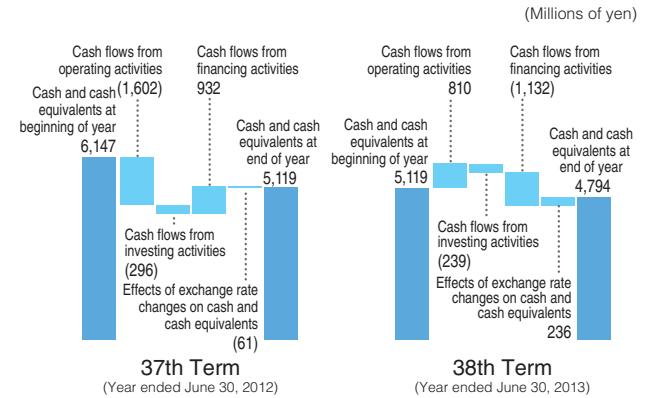
Cash provided by operating activities amounted to 810 million yen (cash used in operating activities of 1,602 million yen was posted for the previous consolidated fiscal year) mainly due to factors including an increase in cash resulting from 116 million yen in net income before income taxes and an increase of 1,719 million yen in notes and accounts payable-trade, and a decrease in cash resulting from an increase of 763 million yen in notes and accounts payable-trade and an increase of 434 million yen in inventories.

→⑤ Cash flows from investing activities

Cash used in investing activities amounted to 239 million yen (cash used in investing activities of 296 million yen was posted for the previous consolidated fiscal year) mainly due to factors including 131 million yen for the purchase of tangible fixed assets and intangible fixed assets and 28 million yen for the purchase of investment securities.

→⑥ Cash flows from financing activities

Cash used in financing activities amounted to 1,132 million yen (cash provided by financing activities of 932 million yen was posted for the previous consolidated fiscal year). This was due to factors including a decrease of 1,000 million yen in short-term loans payable, 67 million yen for cash dividends paid, and 59 million yen for acquisition of treasury stocks.



■ Regional Contribution Activity

◆ Seashore Cleanup "Clean Beach Ishikawa"

We participated as a corporation again this year in "Clean Beach Ishikawa" this year again, 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 for one hour. There were a lot of floatage and abandoned waste, and all of the event participants managed to clean up the seashore by picking up a large amount of garbage.



■ Environmental Activity



The 2nd building premises
(when putting out neon billboards)

◆ Lights Down 2013 (June 21 – July 7, 2013)

Every year, the Company participates in the "CO₂ Reduction Lights Down Campaign" organized by the Ministry of the Environment. The slogan for the "Lights Down Japan 2013" campaign was "Turn off electricity at night. Earth-friendly nights should be comfy and nice!" We turned off indoor lights during the day and neon billboards at night during the period from June 21 (Summer Solstice) to July 7 (Tanabata Festival). When calculated in terms of CO₂ emission, we saved enough electricity to reduce CO₂ emissions by about 0.65 tons.

In July 2013 we renewed our corporate logo.

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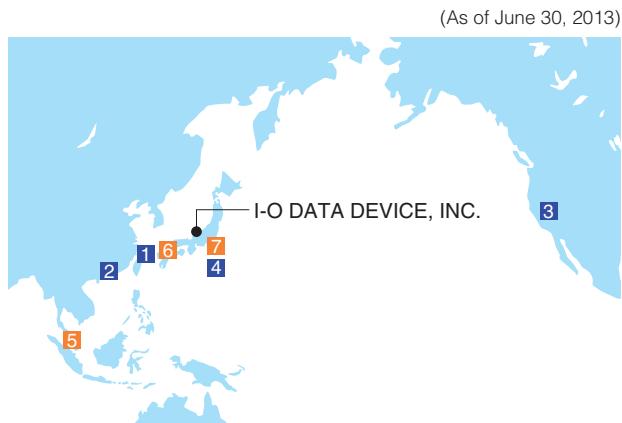
We express our name in rounded characters without exterior frames in the desire that our stakeholders including customers come to see us as we are, unguarded by outside fences, and that we continue to advance flexibly as a company without entrenching ourselves in existing frameworks.

The symbol between I and O in our logo, a "mind" motif, represents our founder's spirit and commitment to continue to develop technologies and ideas by listening to customer opinions (I: Input) and sincerely providing customers with the results they expect (O: Output).



Head office premises
(Adopting LED lighting)

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



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%
4 ITG Marketing, Inc.	¥81,000,000	61.11%

Affiliates

Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
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.

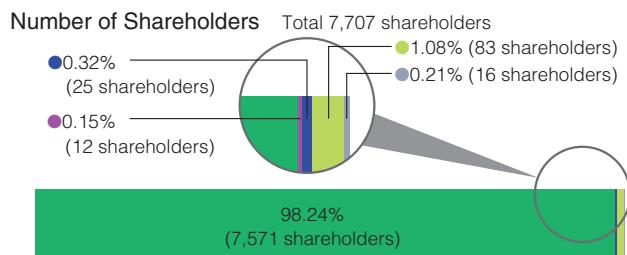
Status of Shares (As of June 30, 2013)

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	7,707

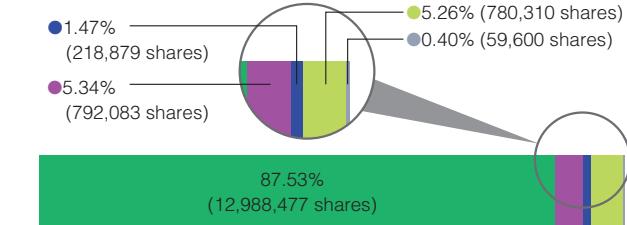
Major Shareholders (As of June 30, 2013)

Names	Number of shares held	Share holding percentage
Akio Hosono	4,514,643	30.42%
I-O DATA DEVICE, INC.	1,604,352	10.81
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, 2013)



Number of Shares Held Total 14,839,349 shares



● Individuals, Others ● Financial institutions ● Securities companies
 ● Other domestic corporations ● Foreign entities

Company Profile

Outline (As of June 30, 2013)

■ Name	I-O DATA DEVICE, INC.
■ Established	January 10, 1976
■ Capital	3,588.07 million yen
■ Employees	406 (Non-Consolidated) 447 (Consolidated)

Board of Directors (As of September 26, 2013)

President	Akio Hosono
Executive Director	Nobuo Ikeda
Director	Hiroshi Kawada
Director	Naonori Hamada
Director	Hiroki Kato
* 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, 2013)

Headquarters and Factory	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	Stock Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation
Ordinary General Meeting of Shareholders:	Annually in September	Contact Information:	Mitsubishi UFJ Trust and Banking Corporation Osaka Stock Transfer Agency Department 3-6-3 Fushimi-machi, Chuo-ku, Osaka 541-8502
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. 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).	Account Management Institution for Special Accounts:	Sumitomo Mitsui Trust Bank, Limited
Media of Public Notice:		Contact Information:	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063
		Listed Stock Exchange: Security Code:	Tokyo Stock Exchange's Jasdaq market 6916

I-O DATA DEVICE, INC.



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