

*I-O DATA DEVICE, INC.*

Security Code : 6916

# The 39th term Annual Report

From July 1, 2013 to June 30, 2014

# I-O DATA OUTLINE

Creating new digital lifestyles by always seeing through the eyes of the users.

I-O DATA aims at developing creative products which suit the times as a partner supporting the digital life of each customer.

Coping with the ICT progress, we are proactively creating new digital lifestyles through the efforts toward smart devices which are now rapidly diffusing, from the perspectives of data sharing, data backup and remote viewing, and through the fusion with cloud services, in addition to the enhancement of our existing businesses related to PCs and digital consumer electronics.

I-O DATA will provide customers with more comfortable lives and sensations to live up to your expectations.

## Memory

<p>Memory DDR3 SDRAM for Notebook Personal Computers</p>  <p>SDY1600 Series</p>	<p>Memory DDR3 SDRAM for Desktop Personal Computers</p>  <p>DY1600 Series</p>	<p>SDHC Memory Card compatible with Class 10</p>  <p>BSD-10A Series</p>	<p>USB Memory for Smartphones and Tablets</p>  <p>U3-DBL Series</p>
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## Storage

<p>Music CD Tracking Drive for Android Smartphones</p>  <p>CD Reco (CDRI-S24A)</p>	<p>[Ultrafast &amp; Ultrathin Lite] Portable Hard Disk Drive</p>  <p>HDPF-UTB Series</p>	<p>[Ultrafast &amp; Ultrathin] Compact Portable Hard Disk Drive</p>  <p>HDPC-UTC Series</p>	<p>[Ultrathin Blu-ray] Portable Blu-ray Drive</p>  <p>BRP-UA6C Series</p>
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## Liquid Crystal

<p>19-inch Square Liquid Crystal Display mounted with Blue Light Reduction</p>  <p>LCD-AD191SEW</p>	<p>21.5-inch Wide Liquid Crystal Display with LED Backlight Systems</p>  <p>LCD-MF225XBR</p>	<p>23.6-inch Wide Liquid Crystal Display mounted with Blue Light Reduction</p>  <p>LCD-AD242EB</p>	<p>27-inch Wide Liquid Crystal Display mounted with PLS Panel</p>  <p>LCD-MF275XPBR</p>
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## Peripheral

<p>Multi-Card Reader/Writer compatible with 65 types of Media</p>  <p>USB2-W63RW Series</p>	<p>TV Capture Box compatible with Terrestrial, BS and CS Digital TV Broadcasting at 110 degrees east longitude</p>  <p>GV-MVP/XZ3</p>
<p>Wi-Fi Storage [Pocket Drive]</p>  <p>WFS-SR01</p>	<p>Wireless LAN Router (in conformity with IEEE802.11n/g/b)</p>  <p>WN-G300R2</p>
<p>Network-connected Hard Disk Drive compatible with RAID 6</p>  <p>HDL-XRW Series</p>	<p>Network Camera compatible with Wired/Wireless LAN [Qwatch]</p>  <p>TS-WLCAM Series</p>

## Custom Order Product

## 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, 2014, we completed our 39th fiscal year (from July 1, 2013 to June 30, 2014). 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 2014

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## Overview of the Fiscal Year under Review

During the current consolidated fiscal year, corporate earnings and personal consumption improved against the backdrop of the economic policies instituted by the government and the Bank of Japan. The moderate recovery of the Japanese economy continued as a whole in spite of the last-minute demand associated with the consumption tax hike and the ensuing backlash effect around the fiscal year-end, of which effect is generally viewed as limited.

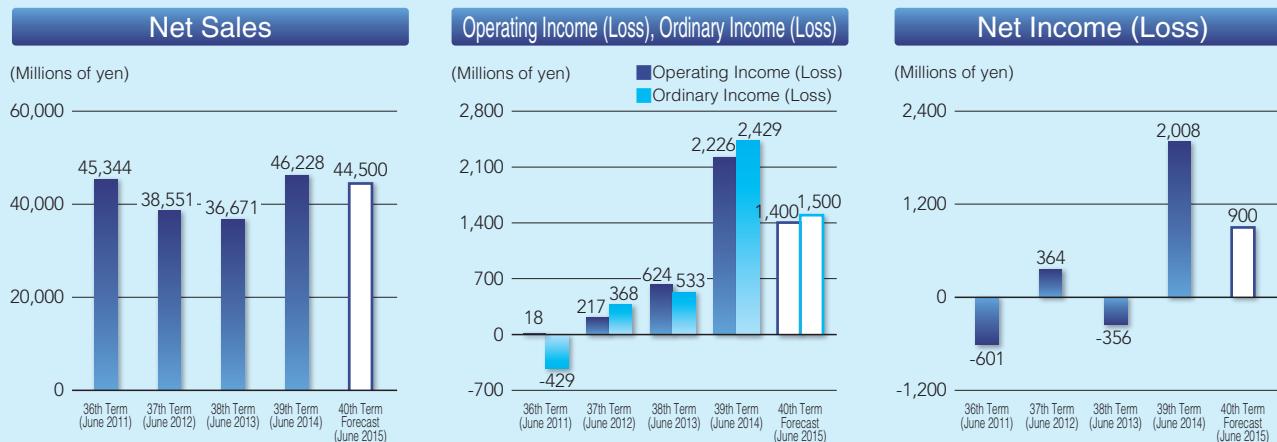
As for the peripheral equipment market for digital consumer electronics products with which our group deals, PC-related markets was brisk due to surge in demand for PC renewals prior to the termination of support for Windows XP combined with the last-minute demand associated with the consumption tax hike at the end of the fiscal year, while IT investments turned upwards in response to improved corporate earnings. Sales related to smartphones and tablet terminals also remained steady.

Under such circumstances, we renewed the corporate logo introduced at our incorporation 38 years ago, with an aim to restructure our corporate management, and focused our efforts on strengthening profitability and

establishing a growth base as the newborn I-O DATA DEVICE, INC. To flexibly and rapidly respond to changes in markets, we brushed up individual products to enhance their appeal to consumers and worked proactively to expand both the products we handle and their sales routes. To capture the rapidly growing demand for PC environment renewals, we also strove to improve our supply system and operating activities. Thanks to these efforts, group sales exceeded the level of the previous consolidated fiscal year. On the profit side, amid the generally stable market conditions for raw materials and products, profitability and group sales increased by strictly adhering to management with an emphasis on securing appropriate profits for every transaction. Consequently, income significantly exceeded the level of the previous consolidated fiscal year.

As a result, for the current consolidated fiscal year, we posted group sales of 46,228 million yen (up 26.1% from the previous year), operating income of 2,226 million yen (up 256.3% from the previous year), ordinary income of 2,429 million yen (up 355.4% from the previous year), and net income of 2,008 million yen (net loss of 356 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 improvement of corporate earnings and employment circumstances fueled by the stimulus measures of the government and the Bank of Japan. The future of the economy remains uncertain, however, due to factors such as the economic trend after the consumption tax hike, rising costs of imports and energy linked to the weaker yen, slowing growth in the emerging economies, and the impact of international conflicts on the global economy.

The peripheral equipment market for digital consumer electronics with which our group deals is also expected to witness difficulties. PC-related markets are projected to become sluggish due to the waning demand for renewing PCs attributable to the termination of support for Windows XP, while TV-related fields are losing strength as a whole. On the other side, however, smartphones and tablet terminals are stably diffusing, and opportunities for proposing peripherals and services in the Company's target segments are expanding. Demand for updating Windows Server 2003, an OS for business PCs whose support is to be terminated next July, will also rise to strong levels. New business opportunities are also

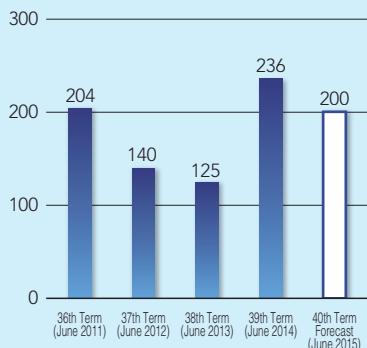
emerging in TV-related fields with the emergence of the 4K market and the startup of various new services that enable viewers to remotely access both broadcast and pre-recorded contents, though these markets are still limited.

Under such circumstances, we will seek to respond flexibly and rapidly to changes in the markets by accelerating the expansion of attractive products and services, and thereby acquiring emerging demand and generating new markets in a proactive manner. We will also steadily bolster our growth path by making comprehensive proposals and strengthening operations in response to the features of markets by industries or regions. Under our policy to develop businesses with an emphasis on profitability, we will pursue stable profits by strictly adhering to production cost reductions and low-cost operations in preparation for rising electronic parts prices linked to the weaker yen and price competition.

Through these efforts, we expect to achieve group sales of 44,500 million yen (down 3.7% from this year), operating income of 1,400 million yen (down 37.1% from this year), ordinary income of 1,500 million yen (down 38.3% from this year), and net income of 900 million yen (down 55.2% from this year) in the next consolidated fiscal year.

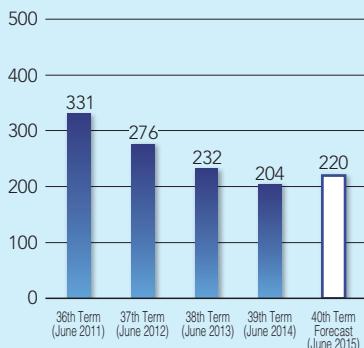
### Capital Investments

(Millions of yen)



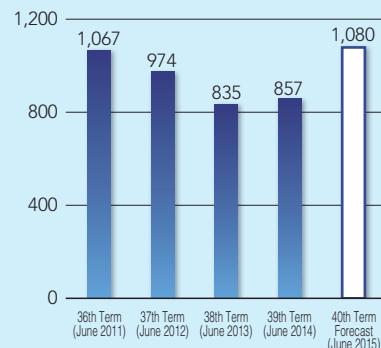
### Depreciation Expense

(Millions of yen)



### Research and Development Costs

(Millions of yen)





## Memory

Sales in the Memory Division rose 45.0% year-over-year to 3,551 million yen.

Sales of memory modules exceeded the level of the previous consolidated fiscal year due to rising sales prices in tandem with DRAM prices attributable to the demand for PC renewals.

As for flash memory such as memory cards and USB memory

devices, sales of popular models at affordable prices increased favorably, lifting sales above the level of the previous consolidated fiscal year. We also promoted the sale of USB memory devices and similar devices to help users share data between smartphones and PCs.

### Net Sales

(Millions of yen)



## Storage

As for hard disc drives, our mainstay products, demand for TV recording and PC backups increased over the period from the year-end sales season to the fiscal year-end. As for optical disk drives, we opened up a new market by launching "CD Reco," a drive that enables users to import music CDs directly to smartphones and tablets. As a result, sales in the Storage Division increased 6.0% year-over-year to 14,123 million yen.

### Net Sales

(Millions of yen)



## Liquid Crystal

In an environment of rapidly increasing demand for liquid crystal displays in conjunction with growing demand for PC environment renewals mainly at private companies, public agencies, and educational institutions, we strove aggressively to acquire demand and expand shares by developing lineups and supply systems. Meanwhile, we steadily promoted new technological development and announced 4K displays with display resolutions about four times higher than full high-definition. As a result, sales in this division significantly exceeded the level of the previous consolidated fiscal year, finishing at 10,942 million yen, up 108.1% from the previous year.

### Net Sales

(Millions of yen)





## Peripheral

Sales of wireless LAN, NAS, and other network devices increased mainly on the back of diffusing smartphones and tablets and the recovery of corporate IT investments. As a result, sales in the Peripheral Division increased 13.9% year-over-year to 8,355 million yen.

As for products related to wireless LAN, we strove to expand sales by developing environmental transition tools and extremely simple initial setting tools in an effort to promote replacement to and acquire new users for "11ac,"

the latest ultra-high speed standard. We also started proposing wireless LAN repeaters to realize stable telecommunications in even hard-to-reach nooks and crannies in user homes. Further, we strengthened our "Qwatch Series" lineup to enable users to easily monitor remote places using smartphones. As for NAS, we took steps to remarkably improve reliability mainly for corporate models and proactively promoted mass storage models and strengthened collaboration with cloud storage service companies.

As for areas related to multimedia and digital consumer electronics, sales increased steadily for digital terrestrial tuners for various types of devices, as well as for video capture devices designed to conveniently digitalize older recordings on VHS and 8mm video tapes. We also developed the world\* first\* USB graphic adapter capable of realizing 4K presentations from computers via a USB connection.

\* According to our survey as of June 2014

### Net Sales

(Millions of yen)



## Custom Order Products



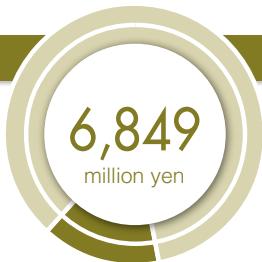
In this division, which chiefly engages in sales of peripherals for digital consumer electronics, OEM products for communications service providers, and custom order products, sales decreased to 2,405 million yen, down 40.1% from the previous consolidated fiscal year, due to the termination of several large contracts at the end of the previous consolidated fiscal year.

### Net Sales

(Millions of yen)



## Others



Sales of other brand products that complement our lineup were strong, leading to an increase in sales by 59.5% from the previous consolidated fiscal year to 6,849 million yen.

Sales of SSDs (a storage device using flash memory) manufactured by SAMSUNG ELECTRONICS CO., LTD. increased, and sales of Verbatim brand optical media remained stable. From the current consolidated fiscal year we started handling mobile batteries for "GALAXY Series" smartphones, "GALAXY Gear" wearable terminals, and other related products from SAMSUNG ELECTRONICS, as well as SD cards from the same manufacturer.

### Net Sales

(Millions of yen)

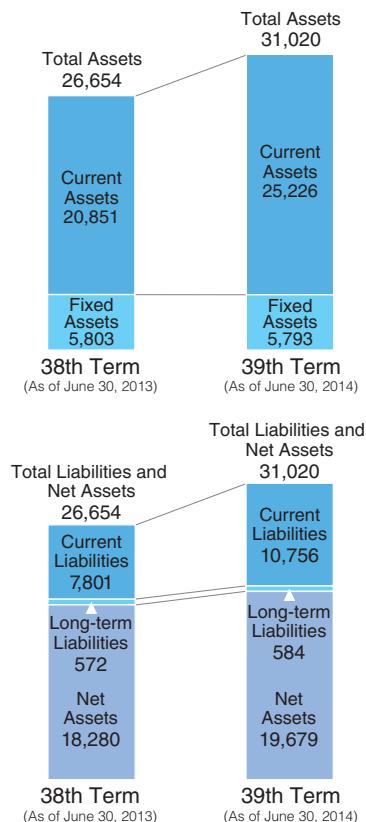


# Consolidated Financial Statements >>>

## Consolidated Balance Sheets (Millions of yen)

Item	Amount	
	38th Term (As of June 30, 2013)	39th Term (As of June 30, 2014)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and bank deposits	4,794	6,228
Notes and accounts receivable-trade	7,890	8,129
Inventories	6,545	9,468
Other	1,633	1,402
Less: Allowance for doubtful accounts	(13)	(2)
<b>Total Current Assets</b>	<b>20,851</b>	<b>25,226</b>
<b>Fixed Assets</b>		
<b>Tangible fixed assets</b>		
Land	2,880	2,880
Other	942	953
<b>Total tangible fixed assets</b>	<b>3,823</b>	<b>3,833</b>
Intangible fixed assets	134	155
Investments and others	1,846	1,804
<b>Total Fixed Assets</b>	<b>5,803</b>	<b>5,793</b>
<b>Total Assets</b>	<b>26,654</b>	<b>31,020</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Notes and accounts payable-trade	5,791	6,000
Short-term loans payable	–	2,000
Accrued income taxes	132	396
Reserve for point system	20	9
Provision for business structure improvement	19	–
Other	1,837	2,349
<b>Total Current Liabilities</b>	<b>7,801</b>	<b>10,756</b>
<b>Long-term Liabilities</b>		
Reserve for directors' retirement allowances	110	110
Reserve for recycle projects	324	342
Reserve for product warranty	98	92
Other	38	38
<b>Total Long-term Liabilities</b>	<b>572</b>	<b>584</b>
<b>Total Liabilities</b>	<b>8,373</b>	<b>11,340</b>
<b>NET ASSETS</b>		
Shareholders' equity	17,587	19,372
Common stock	3,588	3,588
Capital surplus	4,228	4,228
Retained earnings	10,771	12,779
Treasury stock-at cost	(1,000)	(1,222)
Accumulated other comprehensive income	432	241
Minority interests	261	65
<b>Total Net Assets</b>	<b>18,280</b>	<b>19,679</b>
<b>Total Liabilities and Net Assets</b>	<b>26,654</b>	<b>31,020</b>

(Millions of yen)



### → ① Assets

Total assets increased 4,365 million yen from the previous consolidated fiscal year to 31,020 million yen. This was due to factors including an increase of 1,433 million yen in cash and bank deposits and 2,923 million yen in inventories.

### → ② Liabilities

Liabilities increased 2,967 million yen from the previous consolidated fiscal year to 11,340 million yen. This was due to factors including an increase of 209 million yen in notes and accounts payable-trade and 2,000 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 1,398 million yen from the previous consolidated fiscal year to 19,679 million yen. This was due to factors including net income of 2,008 million yen and a decrease of 262 million yen in deferred gains or losses on hedges.

\*Figures less than one million yen are rounded down.

## Consolidated Statements of Income (Millions of yen)

Item	Amount	
	38th Term (Year ended June 30, 2013)	39th Term (Year ended June 30, 2014)
Net sales	36,671	46,228
Cost of sales	30,554	37,979
Gross profit	6,116	8,249
Selling, general and administrative expenses	5,491	6,022
Operating income	624	2,226
Other income	262	409
Other expenses	353	206
Ordinary income	533	2,429
Extraordinary loss	416	2
Net income before income taxes	116	2,427
Income taxes-current	131	436
Income taxes-deferred	295	(46)
Net income (Net loss) before minority interests	(310)	2,037
Minority interests in income	46	29
Net income (Net loss)	(356)	2,008

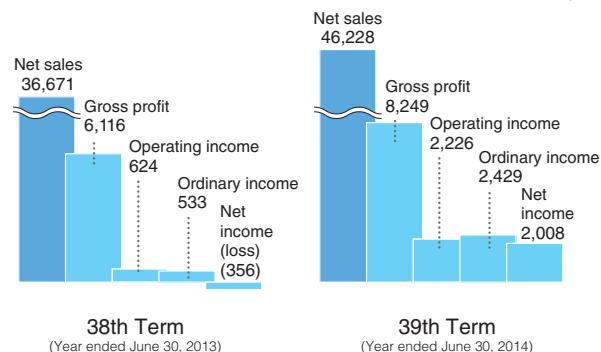
\*Figures less than one million yen are rounded down.

## Consolidated Statements of Cash Flow (Millions of yen)

Item	Amount	
	38th Term (Year ended June 30, 2013)	39th Term (Year ended June 30, 2013)
→ 4 Cash flows from operating activities	810	(253)
→ 5 Cash flows from investing activities	(239)	(113)
→ 6 Cash flows from financing activities	(1,132)	1,763
Effects of exchange rate changes on cash and cash equivalents	236	36
Net decrease in cash and cash equivalents	(325)	1,433
Cash and cash equivalents at beginning of year	5,119	4,794
Cash and cash equivalents at end of year	4,794	6,228

\*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 253 million yen (cash provided by operating activities of 810 million yen was posted for the previous consolidated fiscal year). This was due to factors including an increase in cash resulting from 2,427 million yen in net income before income taxes and a decrease in cash resulting from an increase of 2,927 million yen in inventories.

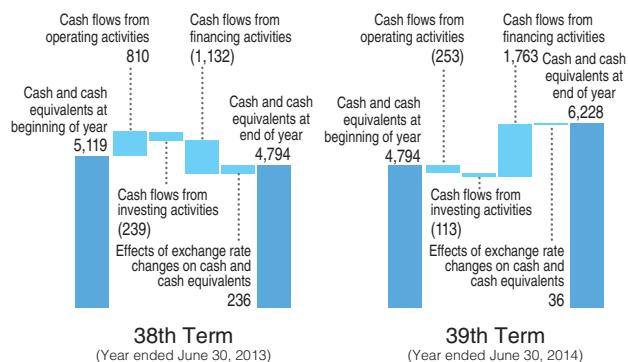
### → 5 Cash flows from investing activities

Cash used in investing activities amounted to 113 million yen (cash used in investing activities of 239 million yen was posted for the previous consolidated fiscal year). This was due to factors including an increase in cash resulting from 186 million yen of proceeds from redemption of securities and a decrease in cash resulting from 166 million yen for the purchase of tangible fixed assets and intangible fixed assets and 235 million yen for the purchase of shares of subsidiaries and affiliates.

### → 6 Cash flows from financing activities

Cash provided by financing activities amounted to 1,763 million yen (cash used in financing activities of 1,132 million yen was posted for the previous consolidated fiscal year). This was due to factors including 2,000 million yen of increase in short-term loans payable and 222 million yen of acquisition of treasury stocks.

(Millions of yen)



## Regional Contribution Activity

The headquarters 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 again this year in “Clean Beach Ishikawa,” a seashore-cleanup event at which many companies and individuals worked together every year.

The occasion was favored by fine weather, which allowed event participants to clean up coastline in Kanazawa City for one hour in cooperation with event participants from the public and other organizations besides the Company. All of the event participants labored to dig out a large fishing net buried in the coastline and managed to clean up the seashore by filling their trash bags with lots of garbage.



### ◆ The 63rd Kanazawa Hyakumangoku Festival (Hyakumangoku Dancing Festival)

Once again this year, the employees of the Company danced in unison to a song with united hearts as cross-department team, “Team I-O,” at the annual “Hyakumangoku Dancing Festival” held in June.



## ■ Environmental Activity

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

### ◆ Clean-Up Activities by New Employees

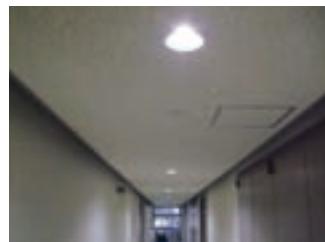
Every year the Company carries out a clean-up around the headquarters as a training activity for new employees. Fourteen new employees spent an hour picking up garbage around walkways, side ditches, and public parks once again this year.



### ◆ Partial Installation of Motion Sensors and LED Lighting at the Headquarters

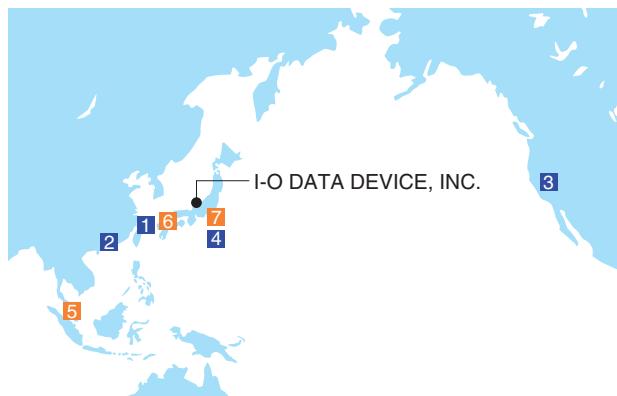
The Company installed motion sensors and LED lighting as new lighting apparatus for some sections of the passageways and toilets at the headquarters.

By adopting motion sensors which automatically turn lights on and off as persons approach and after they go away, and the LED lighting, we achieved power saving through reducing the consumption of electricity.



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

(As of June 30, 2014)



I-O DATA DEVICE, INC.

## 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	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	49.00%
6 DigiOn, Inc.	¥696,350,000	39.53%
7 Creative Media K.K.	¥499,000,000	30.00%

\* I-O & YT (Hong Kong) Ltd. changed its name to I-O DATA Hong Kong Ltd. on July 1, 2014.

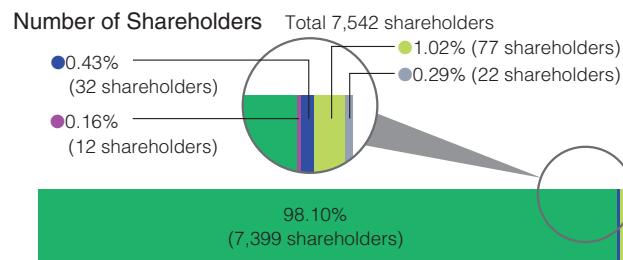
## Status of Shares (As of June 30, 2014)

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	7,542

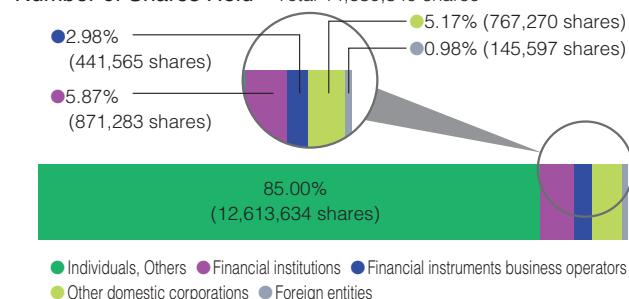
## Major Shareholders (As of June 30, 2014)

Names	Number of shares held	Share holding percentage
Akio Hosono	4,514,643	30.42%
I-O DATA DEVICE, INC.	2,045,429	13.78
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
Japan Securities Finance Co., Ltd.	167,100	1.13

## Distribution of Shares by Shareholder Type (As of June 30, 2014)



## Number of Shares Held



## Company Profile

### Outline (As of June 30, 2014)

■ Name	I-O DATA DEVICE, INC.
■ Established	January 10, 1976
■ Capital	3,588.07 million yen
■ Employees	417 (Non-Consolidated) 460 (Consolidated)

### Board of Directors (As of September 25, 2014)

President	Akio Hosono
Executive Director	Nobuo Ikeda
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 25, 2014)

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

<b>Fiscal Year:</b>	From July 1 to June 30
<b>Ordinary General Meeting of Shareholders:</b>	Annually in September
<b>Record Date:</b>	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.
<b>Media of Public Notice:</b>	Announcements will be made electronically on our website. ( <a href="http://www.iodata.jp/">http://www.iodata.jp/</a> ) However, when electronic announcements are difficult due to circumstances beyond our control, we will place a notice in the Nihon Keizai Shimbun (Nikkei Newspaper).

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

***I-O DATA DEVICE, INC.***

**I-O DATA**

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