



The 41st term Annual Report

From July 1, 2015 to June 30, 2016

I-O DATA DEVICE, INC.

Security Code : 6916

Connecting digital and non-digital with “アイ(ai)” Continuing to provide small sensations to live up to your expectations

This year, I-O DATA (アイ・オー・データ) has celebrated the 40th anniversary of its founding, and has been listed in the First Section of the Tokyo Stock Exchange. I would like to express my earnest and sincere appreciation for your generous support and patronage. Since its foundation in 1976 in the development of textile-related systems, the Company has been developing peripherals of evolving computers/IT devices, from microcomputers to PCs, digital consumer electronics and smartphones. We have continuously sought to enable everyone in the world to use the most advanced IT devices at ease as if they were non-computerized devices.

Products and services that connect digital and non-digital and bring sensations of more convenient lives...

We aspire to continue being a company that sincerely provides such products and services in 10, or even 50 years. All employees of the Company will gladly listen to the voices of our customers and aim to realize a more prosperous and comfortable society. I sincerely hope you will grant us continued support for the future.

Akiyo Hosono, President



■ Information ■

For the purpose of facilitating stakeholders' understanding of the Company's various activities, it had issued the "Annual Report" and the "Environmental Report" that mainly presented business reports and reports concerning the environment, respectively. From this year, we have integrated the "Annual Report" and the "Environmental Report" in an aim to convey our activities in a more easy-to-understand manner. We hope the "Annual Report" will enhance your understanding of the Company's various activities.

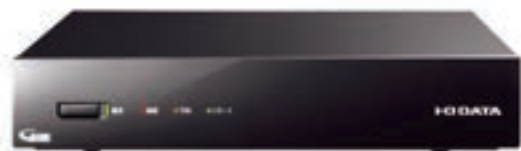
Overview of the Fiscal Year under Review

During the current consolidated fiscal year, the Japanese economy witnessed improvements in the employment situation, etc., with corporate earnings remaining high overall. However, personal consumption continued to lack momentum, and uncertainty about the Japanese economic outlook has intensified due to the economic slowdown in emerging countries and falling resource prices, as well as the advance in the appreciation of the yen and a fall in stock prices since the beginning of the year.

In the digital equipment market, one of the markets for our group that includes PCs, consumer electronics and smart devices, amid continuing weak sales of PC and TV-related products, the growth in demand for smart devices, which had shown relatively strong performance, seemed to peak out due to the diffusion of smart devices.

Under these circumstances, we have been promoting the establishment of a profit foundation which is less affected by the shipping trends of the main units of digital equipment, while making efforts to capture meticulous renewal demand and create new markets by accelerating the expansion of excellent products and services that would support diversified digital life and increasingly sophisticated business settings. We posted group sales of 44,946 million yen (up 9.2% from the previous year), due to new marketing efforts for smart devices, an increase in our market share of liquid crystal monitors and an increase in sales volume of global brand products, which complement our own product lineup and have been enhanced in recent years, in spite of sluggish sales of PC and TV-related products. On the profit side, gross profit increased as a result of increased sales. However, variable costs and costs related to development of new markets also increased. As a result, we posted operating income of 1,149 million yen (up 0.7% from the previous year), which was the same level as the previous year. As a result of a decrease in foreign exchange gains compared with the previous year, we posted ordinary income of 1,334 million yen (down 14.0% from the previous year) and net income attributable to owners of parent of 849 million yen (down 3.8% from the previous year).

DVD Mireru
(DVRP-W8AI)



REC-ON (HVTR-BCTX3)

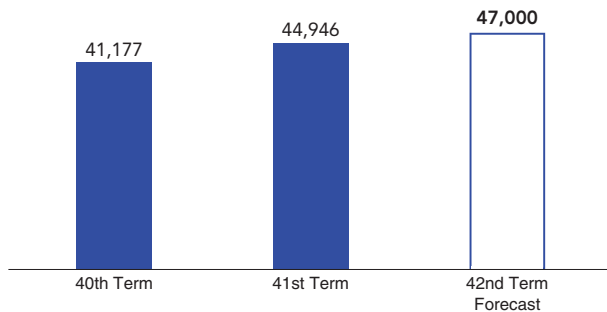


LCD-RDT242XPB

Consolidated Financial Highlights and Financial Results Forecast

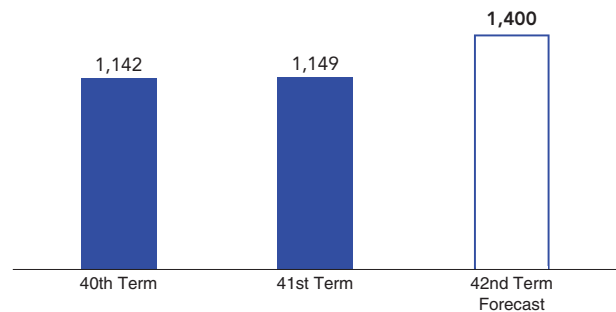
Net Sales

(Millions of yen)



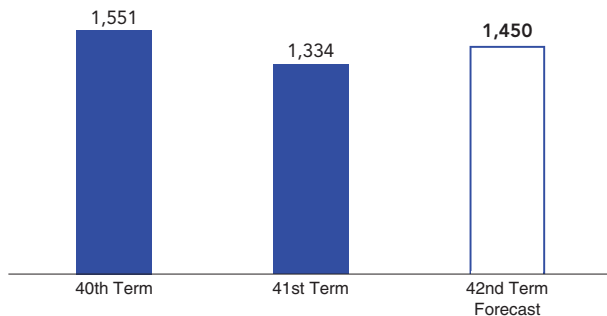
Ordinary Income

(Millions of yen)



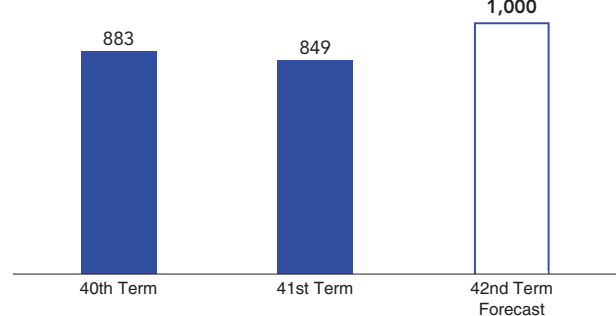
Operating Income

(Millions of yen)



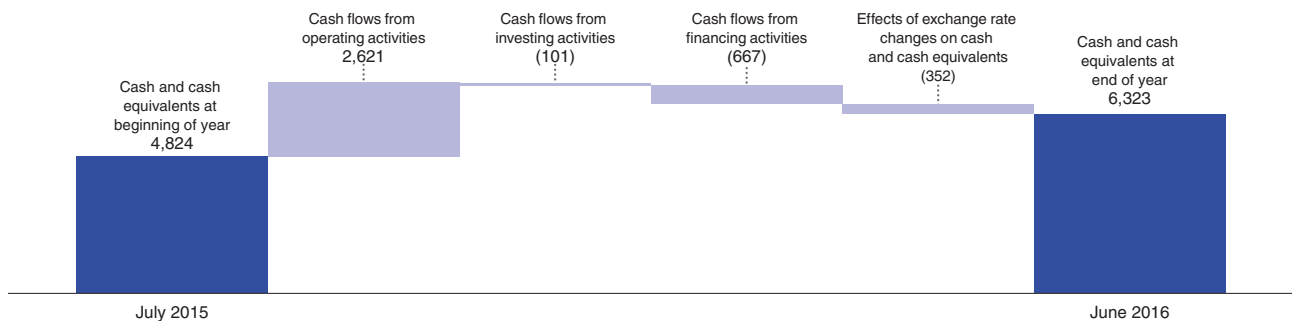
Net Income Attributable to Owners of Parent

(Millions of yen)



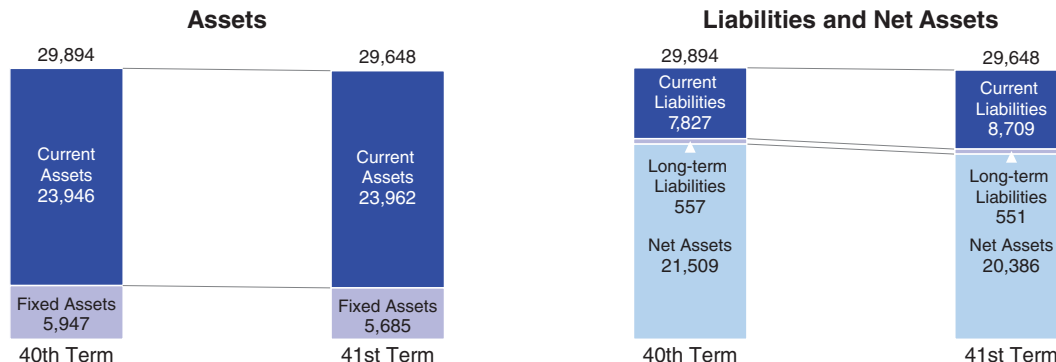
Outline of Consolidated Statements of Cash Flow

(Millions of yen)



Consolidated Balance Sheets

(Millions of yen)



Outlook for the Next Fiscal Year

Looking at the future business environment, the domestic economy is expected to continue in a moderate recovery trend. However, uncertainty about the economic outlook has been intensifying due to factors such as the impact of geopolitical risks and Brexit on the global economy, as well as concerns over economic trends in emerging countries.

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

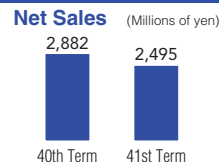
It is under these circumstances that the group marked its 40th anniversary in January 2016. Revisiting our beginnings in the development of custom-made systems, we are once again focusing on customer-oriented value proposition in our aim for steady growth. In our efforts to achieve these goals, we will pursue optimized products and services for our customers and enhance our product lineup as well as make proactive promotion of the application of, and collaboration with, excellent products and services provided by other companies. Through enhancing customer-based sales and support structures in response to market characteristics, such as business and region-based characteristics, we will ensure a stable and long-term relationship with our customers.

In terms of the consolidated business results forecast for the next fiscal year, we expect to achieve group sales of 47,000 million yen (up 4.6% from the previous year) in anticipation of higher sales of liquid crystal monitors and global brand products. In terms of profit, we anticipate a decrease in import prices of products and components assuming the appreciation of the yen compared to the previous fiscal year at the forecast exchange rate of 105 yen per U.S. dollar, resulting in a gross profit forecast of 8,500 million yen (up 7.9% from the previous year, with a 0.6 percentage point improvement in profit ratio). In addition, as a result of the rise in logistics-related costs attributable to increased sales, and increased investment in research and development costs related to development of new markets, we are planning selling, general and administrative expenses of 7,100 million yen (up 5.6% from the previous year). Consequently, we are forecasting operating income of 1,400 million yen (up 21.7% from the previous year). Taking into account other income and other expenses that are expected to occur on an ongoing basis in view of the historical levels of our business results, we are forecasting ordinary income of 1,450 million yen (up 8.7% from the previous year). As a result, net income attributable to owners of parent for the current consolidated fiscal year after the deduction of 450 million yen of tax expenses, is forecast at 1,000 million yen (up 17.7% from the previous year).

Outline of Sales by Division

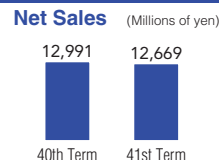
Memory

Sales of flash memory such as memory cards and USB memory devices, as well as memory modules, decreased, reflecting a downturn in the semiconductor market, despite a minor decline in sales volume.



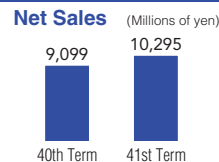
Storage

Sales of hard disk drives struggled, mainly due to sluggish sales of PC and TV-related products. In the optical disk drive business, a lull in sales appeared after the launches of "CD Reco," a drive that enables users to import music CDs directly to smartphones and "DVD Mireru," which allows viewers to view DVD videos using smart devices.



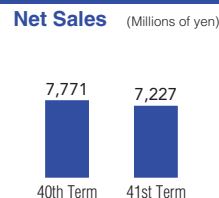
Liquid Crystal

In an aim to further ensure our top share of the market, we worked to improve and overcome weaknesses of our product lineup and sales channel, and to expand advanced models and strengthen services.



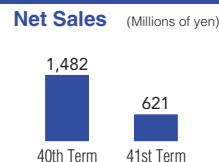
Peripheral

Sales of multimedia and AVeL (visual-related products) posted a decrease as a result of sluggish sales of products for PC expansion, although sales of products for TV and smart devices turned up due to the launch of "REC-ON" and "TeleKing," next-generation network TV tuners. In the network devices business, sales of wired LAN-related products were sluggish, and sales of NAS posted a minor decrease as a result of dwindling sales of personal models, although sales of corporate models grew. In the current consolidated fiscal year, in response to the diffusion of network audios which enable users to enjoy high-resolution sound sources, we have launched a new brand "fidata" for sound quality-oriented users, and rolled out high-end network audio servers.



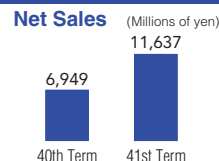
Custom Order Products

This division has been shifting the main focus from operations centered on OEM to the development of new businesses. As a result, the division posted a decrease in sales.



Products and Others

Sales increased significantly, thanks to sales growth of SSDs of Samsung Electronics, the increase in sales due to full-swing sales of WD, and sales growth of Verbatim products mainly consisting of optical disk media as a result of the withdrawal of four brands by two competitors during the current consolidated fiscal year.



■ Designated for the First Section of the Tokyo Stock Exchange

The Company's shares were moved from the Second Section of the Tokyo Stock Exchange to the First Section of the said exchange as of February 5, 2016.



■ Selected as a 2016 Model Company of the City of Kanazawa Promoting Active Participation of Women in the Workplace

On June 1, 2016, the Company was selected as a "Model Company of the City of Kanazawa Promoting Active Participation of Women in the Workplace" that is proactive in improving the working environment in view of active participation of women in the workplace.

In an aim to remain a "company that allows women to play active roles," we will further make efforts to review working styles.



■ Donated Part of Product Sales to Support Disaster Victims of the Kumamoto Earthquake

We made a donation of 1,016,921 yen to be used to support the disaster victims of the Kumamoto Earthquake. The donation is part of the sales of "USB Memory of I" launched in late April 2016 and commercialized in collaboration with Mr. Shigeru Matsuzaki, an actor and singer. We pray for the swift recovery of the afflicted areas.



■ Social contribution activities in local communities

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

● Examples of our efforts

· We introduced "efforts to reduce CO₂ emissions" at a seminar for member companies of the Kanazawa eco suishin jigyouya network.



· Our employees worked jointly with a local volunteer group, namely the "Saigawa River Conservancy," to clean "Saigawa," the river near the Company's Headquarters premises.



Products of I-O DATA That Continue to be Loved over the Years

■ Liquid Crystal Display

I-O DATA realized a reliable “five-year warranty” on its liquid crystal display, which is supported by “five commitments to safety” based on our various efforts toward quality improvement.

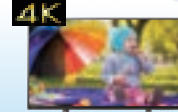
Our product lineup has been expanding and includes spectacular “4K & 40-inch models,” “Gaming models” mounted with advanced imaging technology, “Wide color-gamut models” for camera users, and “10-point touch panel models” designed for classroom environments. Going forward, we will develop a “Component” strategy where we propose all kinds of solutions in line with customer needs in combination with stick-type PCs and apps.

Reliable five-year warranty

Strong trust supported
by five commitments to safety



A wide variety of lineups and component strategy



4K & 40-inch model



Intel®
Compute Stick

Apps

■ Hard disk drives (USB attached storage / Network attached storage)

In addition to the standard external hard disk drives and models for TV recording, we introduced models designed with gold foil as a commemorative version on the 40th anniversary of the Company’s founding and design models in “Millennium Ultramarine” color created in the motif of color used for “Seisonkaku,” a cultural property of the City of Kanazawa, in the hope that our products will be used over many years to come.

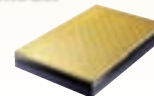
With regard to network attached storage (NAS), we deployed a wide range of marketing activities proposing enhanced security solutions, etc. for corporate customers, and developed new models for individual customers.

In particular, we developed the “Network Audio Server” and newly entered the high-end audio market. Our new brand “fidata” is acclaimed by audio users and industry peers.

Standard model



40th anniversary
model



TV recording model



Millennium Ultramarine
model



fidata

Network & Audio Server
HFAS1



■ Peripheral Items of Smartphones and Tablets

As a new lineup of the “CD Reco” series that has been highly praised, “DVD Mireru,” which enables users to import CDs directly and view DVDs with smartphones and tablets was introduced. It has evolved as a product that enables users to enjoy video and music with versatility. With regard to the “CD Reco” app, new features, such as the play list, strongly requested by users, have been added. We aim to ensure that our products will be used over many years to come.

Furthermore, a new model of the “Recording TV Tuner” series has been launched. The new model, which enables users to expand the way of enjoying TV, is equipped with features as a recorder that enables long recordings and simultaneous recordings of multiple programs by combining with hard disks, and allows users to watch TV with smartphones, tablets and PCs on the go.



■ Network-Related Items

Our network-related product lineup has also been expanded, now including an easy-to-connect wireless LAN router newly mounted with “360 connect” technology, and “Qwatch,” an IoT network camera compatible with full HD equipped with five sensors such as temperature, humidity and motion sensors.



■ Recording Media

A new recording media replacing MO has been proposed to make precious memories last over the next hundreds of years.

We will offer new value by expanding the lineup of M-DISC, which may store data for over 100 years, and a lineup of drives compatible with M-DISC.



Environmental Policy

“Harmonious Coexistence of Business Activities and Nature”

Corporate philosophy of I-O DATA DEVICE, INC. is to meet customer’s expectations and to contribute to society. Moreover, I-O DATA comprehends that the preservation and conservation of the global environment are major worldwide issues, and I-O DATA makes every effort to reduce the environmental impact of its business activities and product life cycles to promote the achievement of sustainable societies.

Environmental Goals and Achievements of the 41st Term

	Environmental Activities Guideline	Of division goals, goals concerning environmental management system	Evaluation
1	Promotion of environment-responsive product design and reduction of environmental impact.	Achievement of sales budget of environment-responsive mainstay products including energy-saving mainstay products.	Partially achieved
2	Implementation of activities to conserve electricity, kerosene, and other energy sources used in the course of business activities.	Pursuit of the boosting of operational efficiency. As a result, reduction of overtime/holiday work, reduction of operation time of buildings, and reduction of usage of electricity and kerosene.	Achieved
3	Recycling and proper disposal of waste products generated by business activities.	Planning of optimum volume of production and sales, and swift response to changes in market condition.	Achieved
		Reduction of accumulated inventory.	Partially achieved
4	Efficient use of production materials used in the course of business activities.	Maximization of effects generated by the costs incurred. (Cost reduction in purchasing items, reduction in process failure, improvement of precision of shipments, reduction in logistic administration costs)	Achieved
5	Disclosure of information on the company’s environmental efforts.	Creation of comprehensive “world view” of the information (OUTPUT) delivered to users.	Achieved

[Overall evaluation]

We have achieved the target of CO₂ emissions by operational improvements in soft aspects such as review of the notice of no-overtime days in addition to installation of energy-saving equipment as had been conducted previously. Moreover, we released “Nokot-Tower” (I♡DESK (I Love Desk) Project) which allows the visualizing of overtime hours, in an aim to encourage people outside the Company to utilize our active efforts, which resulted in social contribution activities such as energy-saving activities that contribute to the prevention of global warming. We will implement such activities continuously and explore activities which will help the Company evolve into an excellent company in line with the essence of its operations.

Trend of Main Environmental Performance Indicators*1

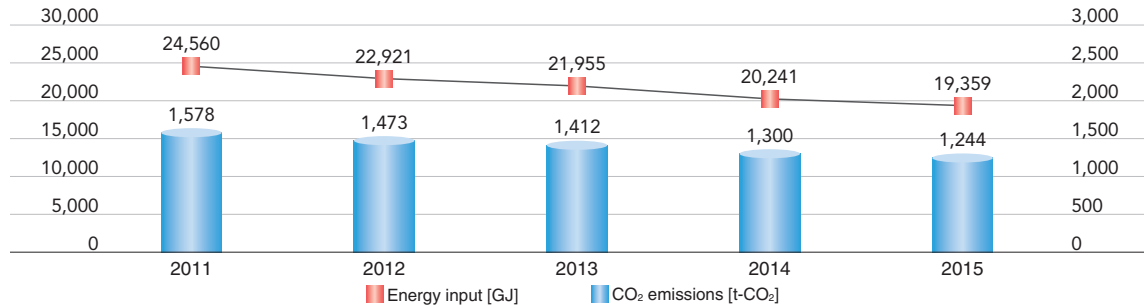
Reporting period (Fiscal year: July 1 to June 30)	2011	2012	2013	2014	2015
Electric power consumption (including Offices) (1,000kwh)	1,926	1,780	1,661	1,548	1,511
Kerosene consumption (kl)	146	141	147	131	117
Energy input (GJ)	24,560	22,921	21,955	20,241	19,359
CO ₂ emissions*2 (t-CO ₂)	1,578	1,473	1,412	1,300	1,244
Municipal waste (kg)	79,810	26,100	27,220	39,160	34,380
Industrial waste (kg)	18,535	17,059	25,364	22,406	51,239
Specially controlled industrial waste (kg)	—	—	5	—	—
Total volume of waste (a) (kg)	98,345	43,159	52,589	61,566	85,619
Reuse (b)*3 (kg)	62,055	97,611	542,656	523,940	524,620
Valuable waste (c) (kg)	68,251	142,963	137,762	124,654	115,600
Total output (a+b+c) (kg)	228,650	283,734	733,007	710,160	725,839
Green procurement rate (%)	97%	90%	95%	91%	92%

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

*2: Of CO₂ emissions, emission coefficients of electric power has been reviewed for all reporting periods, based on the actual emission coefficients for each power producer and supplier for the 2015 emission calculation.

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

Trend of Greenhouse Gas Emissions



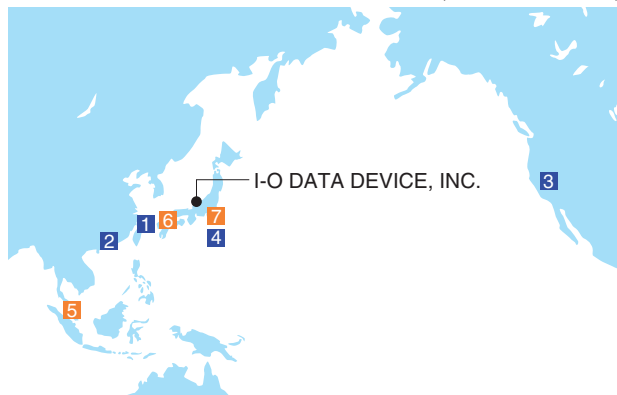
Results of Product Collection and Recycling

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

Period	Household/Industrial	Volume of collected products (kg)	Number of collected products (Unit)	Volume recycled (kg)	Volume reused (kg)	Percentage reused (%)
From April 2015 to March 2016	Industrial	676.3	125	16,046.1	13,830.0	86.2
	Household	15,369.8	2,841			
	Total	16,046.1	2,966			

Status of Corporate Group / Status of Shares

(As of June 30, 2016)



Subsidiaries

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

Affiliates

Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
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5 I-O & YT Pte. Ltd.	S\$1,585,000	43.33%
6 DigiOn, Inc.	¥713,615,500	34.00%
7 Creative Media K.K.	¥499,000,000	30.00%

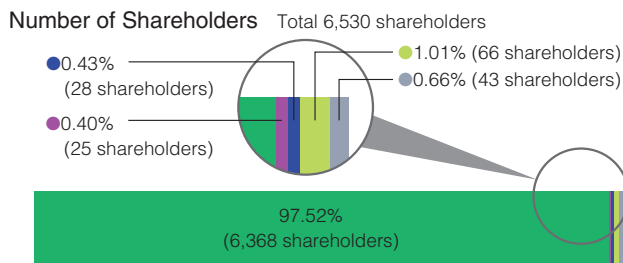
Status of Shares (As of June 30, 2016)

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	6,530

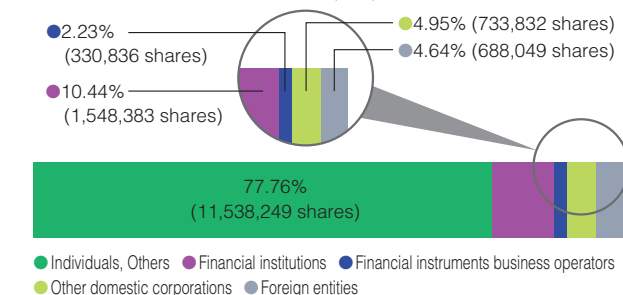
Major Shareholders (As of June 30, 2016)

Names	Number of shares held	Share holding percentage
Akio Hosono	4,514,643	30.42%
I-O DATA DEVICE, INC.	1,946,756	13.11
Yukie Hosono	763,780	5.14
The Hokkoku Bank, Ltd.	306,662	2.06
TRENT Ltd.	269,675	1.81
Japan Trustee Services Bank, Ltd. (trust account)	216,800	1.46
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	214,899	1.44

Distribution of Shares by Shareholder Type (As of June 30, 2016)



Number of Shares Held



Company Profile

Outline (As of June 30, 2016)

■ Name	I-O DATA DEVICE, INC.
■ Established	January 10, 1976
■ Capital	3,588.07 million yen
■ Employees	449 (Non-Consolidated) 489 (Consolidated)

Board of Directors (As of September 27, 2016)

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

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

Offices (As of June 30, 2016)

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

Information for Shareholders

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

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

I-O DATA DEVICE, INC.

I-O DATA

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