

I-O DATA

The 30th term Business Report

From July 1, 2004 to June 30, 2005



I-O DATA DEVICE, INC.



Greetings to Our Shareholders

First, I would like to thank you for your special support to I-O DATA DEVICE, INC. I am pleased to have this opportunity to offer our shareholders my greetings and a few words.

We will report the outline of our sales for the 30th term (July 1, 2004 to June 30, 2005). We request your continued support, guidance, and encouragement as before.

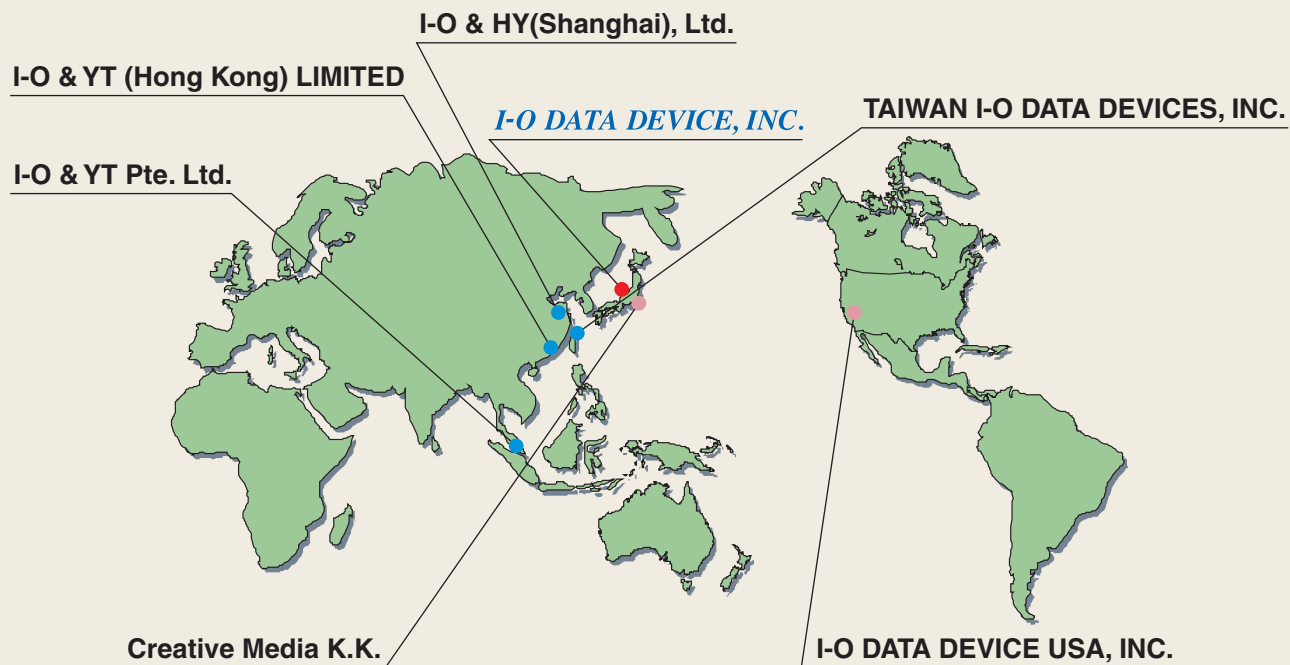
A handwritten signature in black ink that reads "Akio Hosono". The signature is written in a cursive style.

Akio Hosono, President
September 2005

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Status of Corporate Group



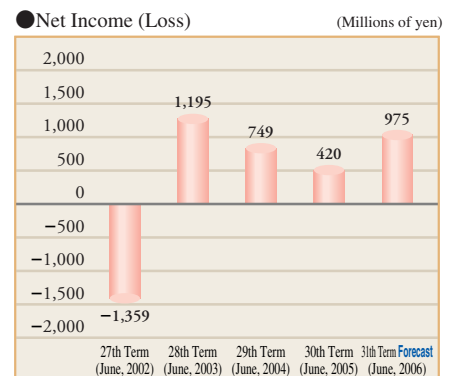
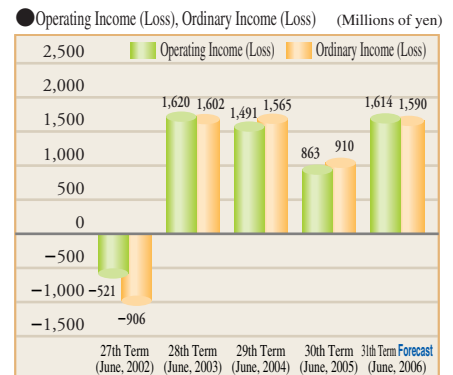
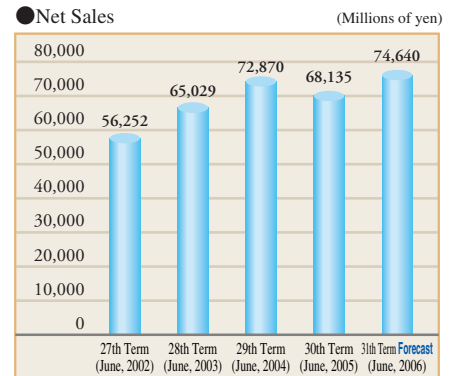
	Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
Subsidiaries	TAIWAN I-O DATA DEVICES, INC.	NT\$50,000,000	100.00%
	I-O & HY(Shanghai), Ltd.	US\$200,000	50.00%
	I-O & YT(Hong Kong)LIMITED	HK\$2,550,000	See Note
	I-O & YT Pte. Ltd.	S\$1,200,000	49.50%
Affiliates	I-O DATA DEVICE USA, INC.	US\$500,000	50.00%
	Creative Media K.K.	¥499,000,000	30.00%

Note:TAIWAN I-O DATA DEVICES, INC. holds a 50% share and the remaining 50% belongs to I-O & YT Pte. Ltd.

The Outline of Sales

During the first half of this fiscal year, the Japanese economy was comparatively smooth due to the influence of the United States, where domestic consumption improved, and of the growing economy in China. In the latter half, however, the economic trends in the United States and China began to decline due to the worldwide skyrocketing increases in crude oil and materials prices and the economic uncertainty centering on exports. Meanwhile, the tendency has been to improve corporate profits primarily in the manufacturing industry and increase private capital investment. Therefore, the Japanese economy is slowly headed for recovery.

In the personal computer industry, surrounding us, a sense of slowdown in the economic recovery began to prevail due to the holding of the Olympics in the beginning of the term, the heat wave in summer, and repeated typhoon damage in early autumn. In the year-end sales battle, however, the impression of touching bottom was finally sensed. Subsequently, from the medium term to the latter term, demand increased. This was due to corporate demand for replacement of personal computers that were introduced because of the Y2K problem, as well as to favorable sales of digital electric household appliances in response to consumer demand for new products with strengthened AV functions. According to an announcement by JEITA (Japan Electronics and Information Technology Industries Association) in July 2005, shipments of personal computers from July 2004 through June 2005 increased by more than 15% on a year-on-year basis. However, a simple comparison is impossible because a number of major personal computer manufacturers under American management were added to the total from July 2004. Meanwhile, product prices continued to slide with the average unit price decreasing by 5,000 yen. Consequently, in terms of monetary amounts, growth is slightly more than 10% compared to shipment growth. Under such circumstances, in the first half term, the market slide was significant concerning product prices for DVD-related products, liquid crystal displays, and USB flash memory, which are major products for the company. Consequently, our sales and profits were severely impacted. From the latter term, the entire group was focused on increasing sales and profits by strengthening price competitiveness in the market and improvement of profitability.



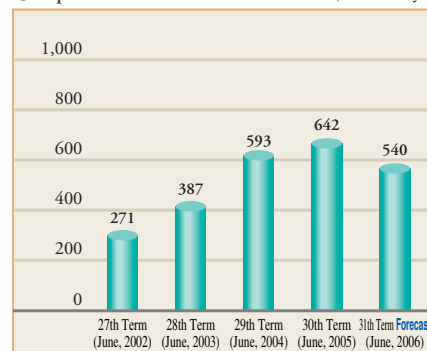
As a result, sales for this fiscal year totaled 68,135 million yen (down 6.5% on a year-on-year basis). In terms of our business profit, it was slightly improved, as set forth in the group's target, compared to the medium term. Consequently, operating income and ordinary income were 863 million yen (down 42.1% on a year-on-year basis) and 910 million yen (down 41.9% on a year-on-year basis), respectively. Net income amounted to 420 million yen (down 43.9% on a year-on-year basis).

Going forward, we expect the Japanese economy to recover steadily as indicated by the many announcements of profit increases in the quarterly performance reports from domestic companies in the manufacturing industry; although, uncertainty over the economy continues due to such factors as the skyrocketing crude oil and materials prices from the previous year.

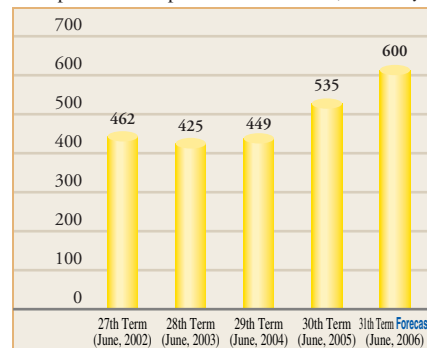
In the personal computer industry, surrounding us, a tough situation is expected concerning measures to end the downside in product prices, considering the current consumption environment. In terms of the future, however, corporate demand seems to be moving briskly, backed up by investment in informatization emphasizing office security and operating effectiveness for compliance with the Act for Protection of Computer Processed Personal Data held by Administrative Organs executed in April 2005. Meanwhile, future consumer demand also seems to be steady and strong supported by an environment where consumers can easily purchase value-added personal computers with AV functions as standard.

We will attempt to improve systems, functions, and services supported by users and the market. Meanwhile, in terms of production, we plan to further focus on development of new products with higher value for the future market, increase our outlets, and strengthen the AVeL brands that were planned and developed based on our own concepts and, thus, have steadily increased sales in addition to our major brands of memory products, storage products, and liquid crystal displays.

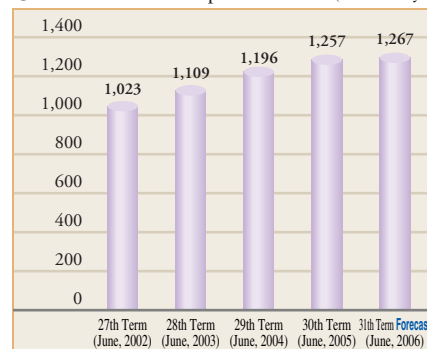
● Capital Investments (Millions of yen)



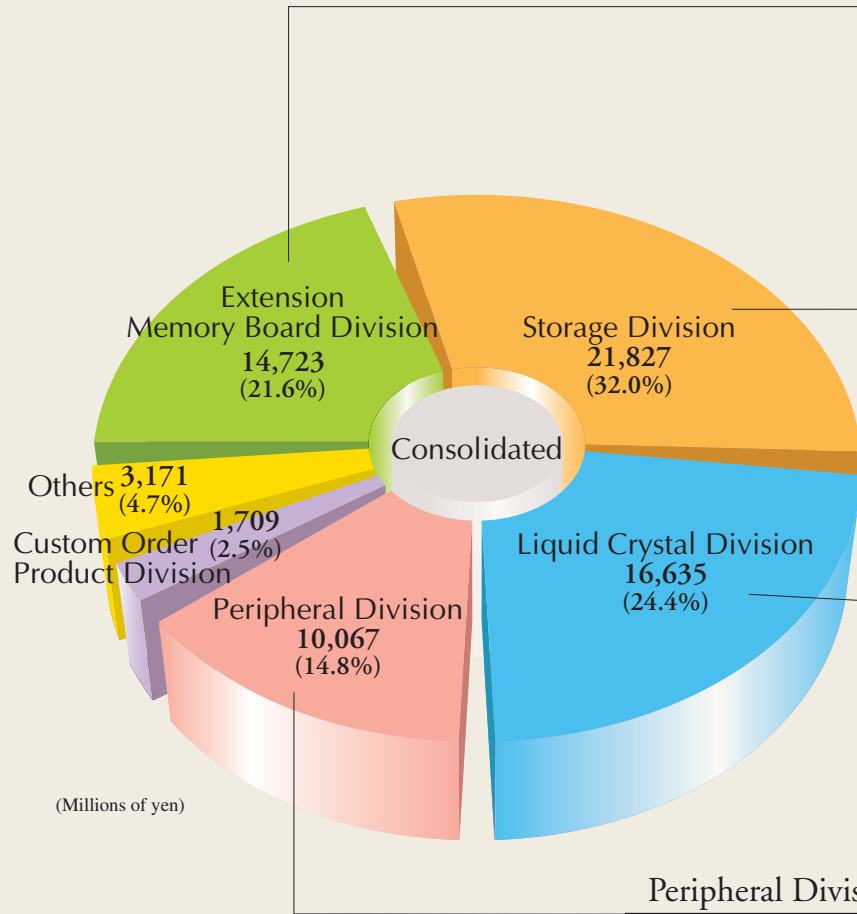
● Depreciation Expense (Millions of yen)



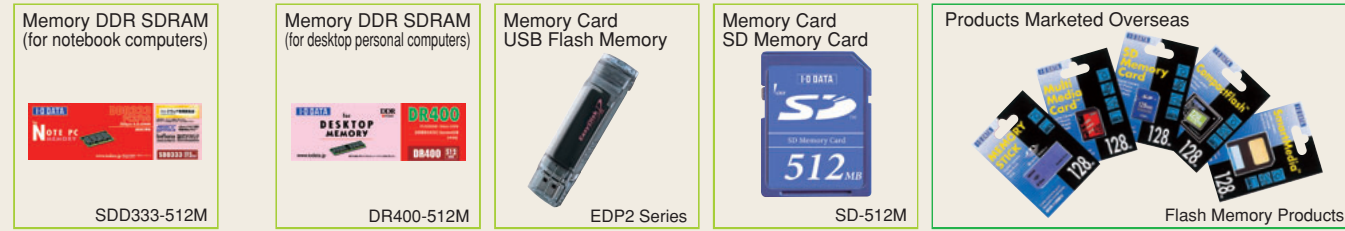
● Research and Development Costs (Millions of yen)



Sales by Division



Extension Memory Board Division



Storage Division



Liquid Crystal Division



Peripheral Division

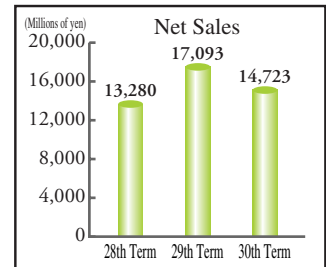


Outline of Sales by Division

Extension Memory Board Division

The demand for personal computers continues to demonstrate an upward trend as quantity increased by 12.6% (on a year-on-year basis). The personal computers with additional functions for watching TV and recording images as standard are becoming more popular, and the growth in demand for personal computers seems to be creating a more comfortable multimedia environment. Main capacity for memory shifted from 256MB in the beginning of the term to 512MB in the latter term. Meanwhile, the unit price for 256MB and 512MB memory modules decreased by about 50% and 60%, respectively. In terms of the trends for memory cards related to the demand for digital cameras, declines in the unit price continue just like for memory modules. The price for major 128MB and 256MB memory decreased by about 35% and about 50%, respectively,

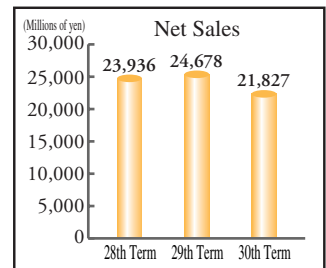
throughout the term. In terms of USB flash memory, supply deteriorated in the year-end sales battle, and the market price of major 256MB memory decreased by 65% throughout the term, although supply made a comeback due to the launch of new products in the latter term. Consequently, sales in the Extension Memory Board Division decreased by 13.9% on a year-on-year basis.



Storage Division

In the Storage Division, the main capacity of HDD products shifted from 160GB to 250GB in the middle of the term and sales increased by only 6.5%, although the quantity increased by about 23%. In terms of MO products, the market trend was toward a reduction, and quantity decreased by about 18% (on a year-on-year basis). Meanwhile, DVD products grew favored by their characteristics as value-added products for personal computers and as fusion products for digital electric household appliances in the previous term. However, DVD products are currently standardized as peripherals for personal computers and sales decreased by about 30%, although the quantity

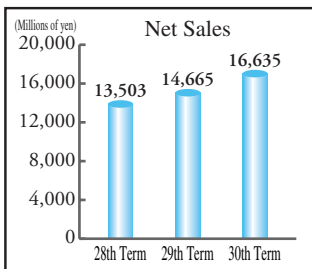
increased by more than 10%. Consequently, sales in the Storage Division decreased by 11.6% on a year-on-year basis.



Liquid Crystal Division

The Liquid Crystal Division performed well, unlike the previous term, without a tough time in the supply environment, and sales and quantity grew significantly. The 17-inch liquid crystal displays became mainstream for retail, and quantity increased by about 46%, although the unit price decreased by about 20% in early autumn. Consequently, sales in the Liquid Crystal

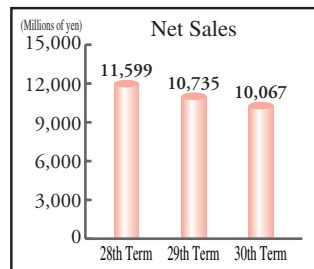
Division increased by 13.4% on a year-on-year basis.



Peripheral Division

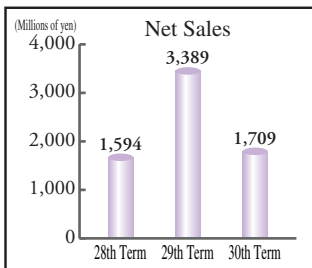
Sales of TV capture boards and AVEL products, which were represented by such major products as LinkPlayer, grew steadily. However, sales of network-related products, such as LAN products and routers, decreased due to a significant downside in the price per unit and stiffer market competition. Consequently, sales in the Peripherals Division decreased by 6.2%

on a year-on-year basis.



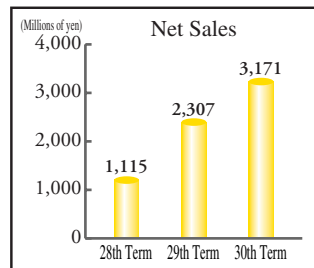
Custom Order Product Division

Sales in the Custom Order Product Division decreased by 49.6% on a year-on-year basis, as sales of OEM products for major personal computer manufacturers decreased.



Others

Sales in the other divisions increased by 37.4% on a year-on-year basis because the Sound Blaster series for digital audio players, one of our product lines, contributed to the sales increase.



Consolidated Financial Statements

Consolidated Balance Sheets

Item	Amount		Item	Amount	
	30th Term (As of June 30, 2005)	29th Term (As of June 30, 2004)		30th Term (As of June 30, 2005)	29th Term (As of June 30, 2004)
ASSETS			LIABILITIES		
Current Assets			Current Liabilities		
Cash and bank deposits	3,891	5,913	Notes and accounts payable-trade	9,831	10,301
Notes and accounts receivable-trade	13,544	14,635	Accrued income taxes	435	361
Inventories	7,513	6,933	Other	2,354	4,211
Other	908	556	Total Current Liabilities	12,622	14,874
Less: Allowance for doubtful accounts	(6)	(15)	Long-term Liabilities		
Total Current Assets	25,850	28,022	Reserve for retirement benefits	145	132
Fixed Assets			Reserve for directors' retirement allowances	147	138
Tangible fixed assets			Other	280	187
Buildings and structures	1,581	1,681	Total Long-term Liabilities	573	458
Land	3,204	3,204	Total Liabilities	13,195	15,333
Other	366	390	MINORITY INTERESTS		
Total tangible fixed assets	5,152	5,276	Minority interests	189	128
Intangible fixed assets	628	451	SHAREHOLDERS' EQUITY		
Investments and others	2,242	1,971	Capital stock	3,588	3,588
Total Fixed Assets	8,023	7,699	Additional paid-in capital	4,308	4,308
Total Assets	33,874	35,721	Retained earnings	12,914	12,696
			Difference in securities revaluation	40	59
			Exchange adjustment	(69)	(101)
			Treasury stock-at cost	(292)	(291)
			Total Shareholders' Equity	20,490	20,260
			Total Liabilities, Minority Interests, and Shareholders' Equity	33,874	35,721

※Truncating the number under million yen

Notes: 1

Notes: 1	(Millions of yen)	
	30th Term (As of June 30, 2005)	29th Term (As of June 30, 2004)
1. Accumulated depreciation of tangible fixed assets	2,820	2,838
2. Investments in securities with regard to affiliated companies are as follows:		
Investments in securities (for shares of affiliated companies)	157	169

Consolidated Statements of Income

(Millions of yen)

Item	Amount	
	30th Term (Year ended June 30, 2005)	29th Term (Year ended June 30, 2004)
Net sales	68,135	72,870
Cost of sales	60,067	64,431
Gross profit	8,067	8,439
Selling, general and administrative expenses	7,204	6,948
Operating income	863	1,491
Non-operating income	218	260
Non-operating expenses	171	186
Ordinary income	910	1,565
Extraordinary income	9	18
Extraordinary loss	28	607
Income before income taxes	891	977
Income taxes-current	535	775
Income taxes-deferred	(118)	(590)
Minority interests	53	42
Net income	420	749

※Truncating the number under million yen

Notes:2

Consolidated Statements of Cash Flow

(Millions of yen)

Item	Amount	
	30th Term (Year ended June 30, 2005)	29th Term (Year ended June 30, 2004)
Cash flows from operating activities		
Income before income taxes	891	977
Depreciation and amortization	535	449
Valuation loss from derivatives transactions	—	596
Decrease (Increase) in trade receivables	1,094	(1,866)
Increase in inventories	(580)	(2,405)
Increase (Decrease) in trade payable	(487)	1,623
Others, net	(493)	(421)
Net cash used in operating activities	959	(1,046)
Cash flows from investing activities		
Acquisition of tangible and intangible fixed assets	(833)	(413)
Acquisition of investments in securities	(70)	(120)
Others, net	7	29
Net cash used in investing activities	(896)	(505)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,979)	1,995
Cash dividends paid	(190)	(192)
Revenue from receiving payment of minority shareholders	11	—
Amount paid of dividend to minor shareholders	(7)	—
Net cash provided by financing activities	(2,167)	1,801
Effects of exchange rate changes on cash and cash equivalents	83	(69)
Net increase (decrease) in cash and cash equivalents	(2,021)	180
Cash and cash equivalents at beginning of year	5,913	5,720
Initial balance of cash or cash equivalents of new consolidated subsidiary companies	—	12
Cash and cash equivalents at end of year	3,891	5,913

※Truncating the number under million yen

Notes:3

Notes:2	(Millions of yen)	
	30th Term (As of June 30, 2005)	29th Term (As of June 30, 2004)
1. Major expense items and amounts in selling, general and administrative expenses		
Advertising and general publicity expenses	559	666
Salaries, benefits and bonuses	2,016	1,869
Packing and freight charges	1,147	1,085
Research and development expense	1,257	1,196
Net income per share (unit:yen)	27.99	50.27

Notes:3

1. Cash and cash equivalents at end of year agree with "Cash and bank deposits" stated in the consolidated balance sheets.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

Item	Amount	
	30th Term (As of June 30, 2005)	29th Term (As of June 30, 2004)
ASSETS		
Current Assets		
Cash and bank deposits	2,659	5,172
Notes and accounts receivable-trade	13,207	14,341
Inventories	6,232	6,129
Other	1,170	898
Less: Allowance for doubtful accounts	(81)	(77)
Total Current Assets	23,188	26,465
Fixed Assets		
Tangible fixed assets		
Buildings and structures	1,542	1,637
Land	3,204	3,204
Other	390	420
Total tangible fixed assets	5,137	5,262
Intangible fixed assets	626	450
Investments and others	2,472	2,185
Total Fixed Assets	8,236	7,897
Total Assets	31,425	34,363

Item	Amount	
	30th Term (As of June 30, 2005)	29th Term (As of June 30, 2004)
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	8,328	9,808
Accrued income taxes	371	301
Other	2,307	4,083
Total Current Liabilities	11,007	14,192
Long-term Liabilities		
Reserve for retirement benefits	145	132
Reserve for directors' retirement allowances	147	138
Other	204	123
Total Long-term Liabilities	497	394
Total Liabilities	11,505	14,587
SHAREHOLDERS' EQUITY		
Capital stock	3,588	3,588
Additional paid-in capital	4,308	4,308
Retained earnings	12,275	12,111
Difference in securities revaluation	40	59
Treasury stock-at cost	(292)	(291)
Total Shareholders' Equity	19,920	19,775
Total Liabilities and Shareholders' Equity	31,425	34,363

※Truncating the number under million yen

Notes:4

Notes:4	(Millions of yen)	
	30th Term (As of June 30, 2005)	29th Term (As of June 30, 2004)
1. Short-term receivable due from subsidiaries	221	236
Short-term payable due to subsidiaries	1,643	1,105
2. Accumulated depreciation of tangible fixed assets	2,802	2,821
3. Liabilities for guarantee		
TAIWAN I-O DATA DEVICES, INC.	1,240	996
Those denominated in foreign currencies therein: (US\$11,215 thousand)	(US\$9,187 thousand)	(US\$9,187 thousand)
I-O & YT Pte. Ltd.	—	184
Those denominated in foreign currencies therein:	(—)	(US\$1,698 thousand)
4. Dividend limitation	40	59
Amounts of net assets stipulated in the third paragraph of Article 124 of enforcement regulations of the Commercial Law		

Appropriation of Retained Earnings

Non-Consolidated Statements of Income

(Millions of yen)

Item	Amount	
	30th Term (Year ended June 30, 2005)	29th Term (Year ended June 30, 2004)
Net sales	66,220	71,416
Cost of sales	59,277	63,621
Gross profit	6,943	7,794
Selling, general and administrative expenses	6,470	6,366
Operating income	473	1,428
Non-operating income	366	248
Non-operating expenses	144	328
Ordinary income	694	1,347
Extraordinary income	—	26
Extraordinary loss	26	606
Net Income before income taxes	668	767
Income taxes-current	477	703
Income taxes-deferred	(175)	(586)
Net income	366	650

※Truncating the number under million yen

Notes:5

(Yen)

Item	Amount	
	30th Term (Year ended June 30, 2005)	29th Term (Year ended June 30, 2004)
Unappropriated retained earnings for the year	564,064,623	899,027,109
Reversal of reserve for fixed assets reduction	984,080	1,045,781
Total	565,048,703	900,072,890
Profit was appropriated as follows:		
Dividends	190,986,549 (¥13 per share)	190,992,958 (¥13 per share)
Bonuses to directors and corporate auditors	9,000,000	11,100,000
(Of which, bonuses to corporate auditors)	(1,000,000)	(1,050,000)
Special reserve	200,000,000	500,000,000
Profit to be carried forward	165,062,154	197,979,932

Notes:5

(Millions of yen)

	30th Term	29th Term
	(Year ended June 30, 2005)	(Year ended June 30, 2004)
1. Sales to subsidiaries	113	418
Purchases, etc. from subsidiaries	22,121	21,531
Non-operating transactions with subsidiaries	60	58
2. Research and development costs included in selling, general and administrative expenses	1,257	1,196
3. Net income per share (unit:yen)	24.31	43.51

Company Profile (As of June 30, 2005)

■ Outline

■ Name	I-O DATA DEVICE, INC.
■ Established	January 10, 1976
■ Capital	3,588.07 million yen
■ Employees	536 (Non-Consolidated) 582 (Consolidated)

■ Board of Directors (As of September 28, 2005)

President	Akio Hosono
Executive Director	Nobuo Ikeda
Managing Director	Takeji Shimada
Director	Masaaki Nakagawa
Director	Toru Nagano
Director	Hiroshi Kawada
Standing Statutory Auditor	Yoshio Hirabayashi
Statutory Auditor	Fumio Miyazaki
Statutory Auditor	Akira Mizutani
Statutory Auditor	Tsunehiro Kometani

Notes: All auditors are independent auditors and are pursuant to the provisions set forth in the first clause of Article 18 of Exception Act of the Commercial Law.

■ Offices

Head Office and Factory	3-10 Sakurada-machi, Kanazawa, Ishikawa
Tokyo Office	17 Kanda-higashimatsushita-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	2-2-10 Tsutsujigaoka, Miyagino-ku, Sendai, Miyagi
Yokohama Office	3-18-5 Shinyokohama, Kohoku-ku, Yokohama, Kanagawa
Nagoya Office	1-4-12 Kamimaezu, Naka-ku, Nagoya, Aichi
Hiroshima Office	7-14 Hashimoto-cho, Naka-ku, Hiroshima, Hiroshima
Fukuoka Office	1-31 Tenya-machi, Hakata-ku, Fukuoka, Fukuoka
I-O PLAZA AKIBA	4-7-1 SotoKanda, Chiyoda-ku, Tokyo

Status of Shares (As of June 30, 2005)

Authorized shares ————— 41,000,000
 Total number of shares outstanding ————— 14,839,349
 Number of shares per unit ————— 100
 Number of shareholders at the term-end ————— 10,936

Ten Major Shareholders

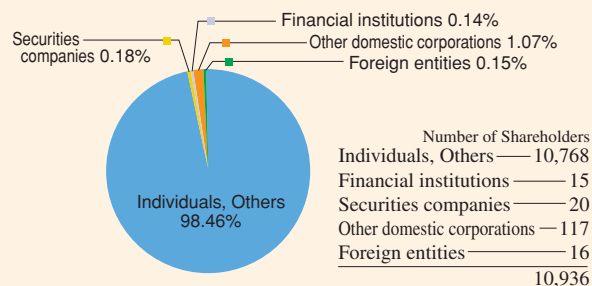
Names	Investment by these shareholders in the Company		Investment by the Company in these shareholders	
	Number of shares held	Share holding percentage	Number of shares held	Share holding percentage
Akio Hosono	4,510,811	30.40%	—	— %
Japan Trustee Service Bank, Ltd. (Trust Account)	1,111,300	7.49	—	—
Yukie Hosono	763,780	5.15	—	—
The Hokkoku Bank, Ltd.	306,662	2.07	510,000	0.14
Kanazawa Ligament Co., Ltd.	269,675	1.82	—	—
Mizuho Bank, Ltd.	153,331	1.03	—	—
The Hokkoku Credit Service Co., Ltd.	81,400	0.55	—	—
Morgan Stanley & Co. International Limited	79,000	0.53	—	—
KAGA ELECTRONICS CO., LTD.	60,000	0.40	—	—
UFJ Bank Limited	57,499	0.39	—	—
Asahi Fire & Marine Insurance Co., Ltd.	57,499	0.39	—	—

Note 1: Total number of shares held by Japan Trustee Service Bank, Ltd. is related to trust services.

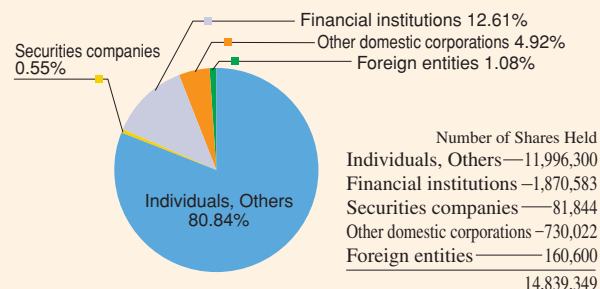
Note 2: Our own shares number 148,076

Distribution of Shares by Shareholder Type

Number of Shareholders (Percentage)



Number of Shares Held (Percentage)



Information for Shareholders

Closing Date of Accounts: June 30

Ordinary General Meeting of Shareholders: Annually in September

Record Date for Ordinary General Meeting of Shareholders: June 30

Other record dates shall be set up and announced in advance when necessary.

Listed Stock Exchange: JASDAQ

(Japan Association of Securities Dealers Automated Quotations)

Securities Code: 6916

Media of Public Notice: Nihon Keizai Newspaper

However, information concerning the Balance Sheet and Income Statement pursuant to the provisions set forth in the third clause of Article 16 of Exception Act of the Commercial Law will be offered at <http://www.iodata.jp/kessankoukou/>

Stock Transfer Agent: The Sumitomo Trust & Banking Co., Ltd.

4-5-33 Kitahama, Chuo-ku, Osaka

Handling Office: The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department

4-5-33 Kitahama, Chuo-ku, Osaka

Mailing Address: The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department

1-10 Nikko-cho, Fuchu, Tokyo 183-8701

Calling Center:

Requests for address change notification documents Tel : 0120-175-417

Other inquiries Tel : 0120-176-417

Website:

<http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html>

Service Offices:

Head Office and domestic branch offices of The Sumitomo Trust & Banking Co., Ltd.

I·O DATA

I-O DATA DEVICE, INC.

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

