

進化する明日へ Continue thinking
I-O DATA

The 40th term Annual Report

From July 1, 2014 to June 30, 2015

I-O DATA DEVICE, INC.

Security Code : 6916



I-O DATA OUTLINE





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

I-O DATA aims to develop creative products suited to the times as a partner supporting the digital life of each and every customer.

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 in PCs and digital consumer electronics in line with advances in ICT.

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





Memory

<p>Memory for Notebook Personal Computers compatible with Low-voltage PC3L-12800 (DDR3L-1600)</p>  <p>SDY1600L Series</p>	<p>Memory for PC3-12800 (DDR3-1600)</p>  <p>DY1600 Series</p>	<p>SDHC Memory Card compatible with Speed Class 10</p>  <p>BSD-10A Series</p>	<p>Security USB Memory mounted with Hardware Automatic Encryption Features</p>  <p>ED-E4 Series</p>
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Storage

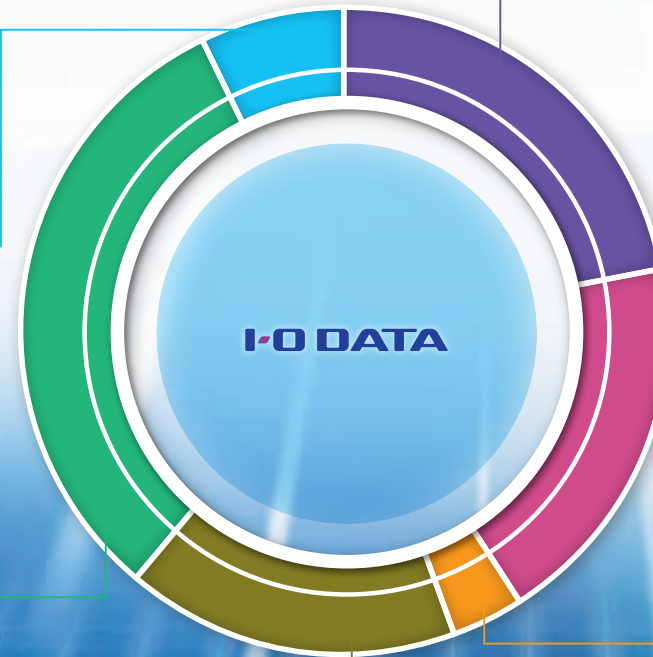
<p>Music CD Tracking Drive for iOS and Android Smartphones</p>  <p>CD Reco Wi-Fi (CDRI-W24AI)</p>	<p>External Hard Disk Drive compatible with USB3.0/2.0</p>  <p>HDC-LA Series</p>	<p>Recording Hard Disk Drive compatible with USB3.0/2.0 for longer recording time</p>  <p>AVHD-AUT Series</p>	<p>External Hard Disk Drive [Kakupita®] compatible with USB3.0/2.0</p>  <p>HDEL-UT Series</p>
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Liquid Crystal

<p>21.5-inch Wide LED Backlight Liquid Crystal Display mounted with Blue Light Reduction</p>  <p>LCD-MF223E Series</p>	<p>23-inch Wide Liquid Crystal Display featuring Frameless Panel</p>  <p>LCD-MF235XDBR</p>	<p>23.8-inch Liquid Crystal Display mounted with Giga-clear Engine II Super-resolution Technology</p>  <p>LCD-RDT241XPB</p>	<p>27-inch Wide Liquid Crystal Display featuring Wide Viewing Angle ADS Panel</p>  <p>DIOS-MF271XDB</p>
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Peripheral

<p>Network-connected Hard Disk Drive compatible with RAID 6 featuring WD-Red</p>  <p>HDL-XRW Series</p>	<p>1300 Mbps (standard value) Wireless LAN Gigabit Router compatible with 11ac</p>  <p>WN-AC1600DGR3</p>
<p>Mirroring-compatible Ultra High Speed LAN-connected Hard Disk Drive</p>  <p>HDL2-AH Series</p>	<p>Network Camera compatible with Wired/Wireless LAN [Qwatch]</p>  <p>TS-WPTCAM Series</p>
<p>TV Capture Box compatible with Terrestrial, BS and CS Digital TV Broadcasting at 110 degrees east longitude mounted with Hardware Transcode</p>  <p>GV-MVP/XZ3</p>	<p>Drive Recorder compatible with Full High Vision (Automobile Recording Camera)</p>  <p>DR-FH5M120 (motion Pix)</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 exceptional support.

I hereby report an overview of our business performance and other relevant information for our 40th fiscal year (the term ended June 30, 2015). I also report the market change for our shares as of August 27, 2015 to the Second Section of the Tokyo Stock Exchange. I would like to offer my earnest and sincere appreciation to all our shareholders for their generous support.

I sincerely hope you will grant us continued support and guidance for the future.

September 2015

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Overview of the Fiscal Year under Review

During the current consolidated fiscal year, the Japanese economy witnessed improvements in corporate performances and the employment environment against a backdrop of the economic policies instituted by the government and the Bank of Japan, as well as the recovery of the U.S. economy. Improvements in personal consumption, however, showed signs of slowing, attributable to the impact from the consumption tax hike and the further weakening of the yen.

In the digital equipment market, one of the markets for our group that includes PCs, consumer electronics and smart devices, smartphone-related products performed strongly partly as a result of new model launches. The market for PCs, which continued to be affected by the backlash effect that occurred after the end of demand for renewals prior to the termination of support for Windows XP and the consumption tax hike, and the market for TV-related products were sluggish. In addition, continuing yen depreciation in the second quarter pushed up import prices for electronic equipment and components.

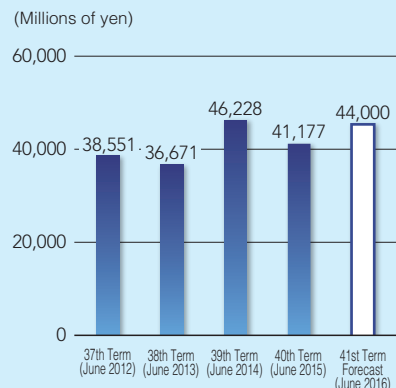
Under these circumstances, we made efforts to accelerate the expansion of products and services that would appeal to consumers, as well as stimulate demand and create new markets

with the aim of achieving a balance between increasingly sophisticated information technology and the real world. Despite these efforts, group sales fell short of the figure recorded in the previous consolidated fiscal year, which saw a peak in renewal demand for PCs. On the profit side, although we alleviated the deterioration in profitability by focusing on measures to deal with the yen's depreciation as the most crucial issue we faced, gross profit declined from the previous consolidated fiscal year due to a downturn in sales. Additionally, profit items noted in operating income and below were lower than the previous consolidated fiscal year due to increases in research and development costs and advertising expenses for the purpose of cultivating new growth fields.

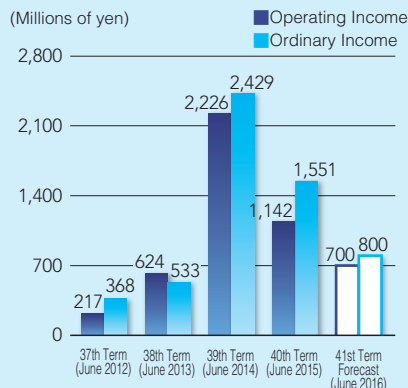
As a result, for the current consolidated fiscal year we posted group sales of 41,177 million yen (down 10.9% from the previous year), and operating income of 1,142 million yen (down 48.7% from the previous year). As the result of foreign exchange gains of 378 million yen recorded in other income attributable to the settlement of parts procurement using forward exchange contracts, we posted ordinary income of 1,551 million yen (down 36.2% from the previous year) and net income of 883 million yen (down 56.0% from the previous year).

Main management index

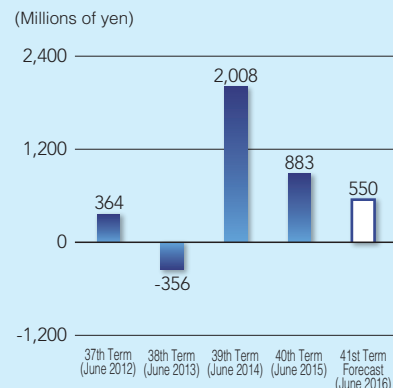
Net Sales



Operating Income/Ordinary Income



Net Income (Loss)



■ Outlook for the Next Fiscal Year

Looking at the future business environment, the domestic economy is expected to continue in a recovery trend thanks to improvements in corporate earnings and the employment situation. The future of the economy remains uncertain, however, due to factors such as slowing growth in emerging economies and the impact of the Greek crisis on the global economy.

The PC, consumer electronics and digital equipment markets, including smart devices, in which our group participates, lack strength overall. However, information and communication technology, which is further penetrating throughout society, is giving rise to new services using sensor networks known as IOT, an area where there are growing expectations from various perspectives, as well as elevating the importance of information security and the protection of privacy. Opportunities to utilize our group's technology, ideas and services are increasing.

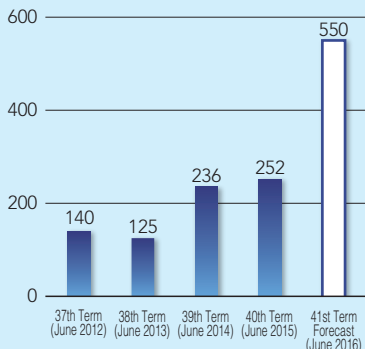
It is under these circumstances that the group will mark its 40th anniversary in January 2016. Revisiting our beginnings in the development of custom-made systems, we will once again focus on customer-oriented management in our aim for steady growth.

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 advances with 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 further meet the expectations of our customers.

In terms of the consolidated business results forecast for the next fiscal year, we anticipate that full-swing sales of WD® external hard disk drive-related products and Intel® stick-type computers, launched at the end of the previous consolidated fiscal year, will make a contribution to sales throughout the fiscal year. As a result, we expect to achieve group sales of 44,000 million yen (up 6.9% from the previous year). In terms of profit, we anticipate an increase in import prices of products and components assuming the further weakening of the yen compared to the previous fiscal year at the forecast exchange rate of 120 yen per U.S. dollar, resulting in a gross profit forecast of 7,400 million yen (up 0.9% from the previous year, with a 1.0 percentage point decline in profit ratio). In addition, as a result of the rise in logistics-related costs attributable to increased sales, and concentrated investment in research and development costs and advertising expenses since the previous consolidated fiscal year for the continued expansion of new growth areas, we are planning selling, general and administrative expenses of 6,700 million yen (up 8.2% from the previous year). Consequently, we are forecasting operating income of 700 million yen (down 38.7% 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 800 million yen (down 48.4% from the previous year). As a result, net income attributable to owners of parent for the current consolidated fiscal year after the deduction of 250 million yen of tax expenses, is forecast at 550 million yen (down 37.7% from the previous year).

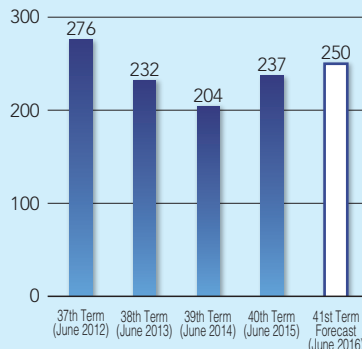
Capital Investments

(Millions of yen)



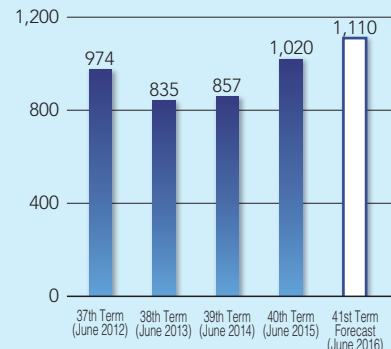
Depreciation Expenses

(Millions of yen)



Research and Development Costs

(Millions of yen)



■ Outline of Sales by Division >>>

Memory

2,882
million yen

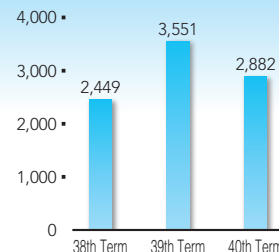
Sales in the Memory Division decreased 18.9% year-over-year to 2,882 million yen.

Sales of memory modules were below the previous consolidated fiscal year as the result of a downturn in sales volume due to the end of PC renewal demand prior to the termination of support for Windows XP. Sales volume of flash memory such as memory cards and USB memory devices grew, led by popular

models. However, sales were below the previous consolidated fiscal year due to a drop in prices.

Net Sales

(Millions of yen)



Storage

12,991
million yen

Sales in the Storage Division fell 8.0% from the previous consolidated fiscal year to 12,991 million yen.

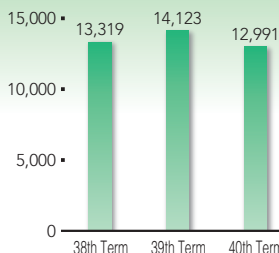
Sales of hard disk drives, our mainstay product, were below the figure posted in the previous consolidated fiscal year due to the unavoidable decline in our market share of mainly general-purpose models as a result of our focus on maintaining an appropriate profit margin and continuing prudent sales policies in response to the further weakening of the yen. However, we were proactive in our efforts to create new trends by launching products such as models compatible with SeeQVault, a

new standard allowing viewers to view the recorded content on the hard disk with other recorders or TVs than those originally used for recording, and new concept models featuring hard disk drives as part of interior design.

In the optical disk drive business, we focused on market expansion of the "CD Reco" series, a drive that enables users to import music CDs directly to smartphones and tablets. Efforts to further develop sales partners and new marketing efforts such as original CD compilation services and lyric display services led to sales growth. As a result, sales rose over the previous consolidated fiscal year.

Net Sales

(Millions of yen)



Liquid Crystal

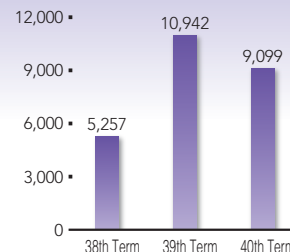
9,099
million yen

Sales in the Liquid Crystal Division posted a 16.8% year-over-year decrease to 9,099 million yen as a result of the end of renewal demand prior to the termination of support for Windows XP, despite efforts to maintain expansion of our market share which surged in the previous consolidated fiscal year. In addition, we began to reinforce our product lineup targeted at high-end users from the current consolidated fiscal year, and

launched products including 4K displays with display resolutions around four times greater than full high-definition models, as well as the GigaCrysta Series equipped with advanced image processing technology and response performance.

Net Sales

(Millions of yen)



Peripheral

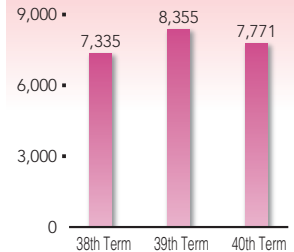
7,771
million yen

Sales of wireless LAN, NAS and other network devices posted only a minor decrease against the background of the diffusion of smartphones and tablets and the recovery of corporate IT investment. However, sales in the Peripheral Division posted a year-over-year decline of 7.0% to 7,771 million yen as a result of decrease in sales of visual-related products due to the termination of sales of digital terrestrial tuners for TV expansion.

In the network devices business, we worked on the expansion of lineups and options for the Qwatch Series, which enables easy remote monitoring through smartphones. In the area of NAS, we made efforts mainly targeted at corporate customers to secure renewal demand for Windows Server 2003, the OS for business PC servers for which support was terminated in July 2015. Furthermore, we proceeded with strengthening our reliability and support structures required for corporate models from the three perspectives of hardware reliability, operation management, and maintenance services under the banner of "Three Assurances." For individual customers, we focused on new marketing efforts to broaden utilization opportunities for smart devices, including a new model in the RECBOX Series that enables remote listening of programs recorded at home, and the launch of Pocket Drive Cloud, a personal cloud storage service.

Net Sales

(Millions of yen)



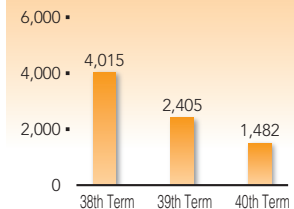
Custom Order Products

1,482
million yen

This division, which deals mainly in peripherals for digital consumer electronics, OEM products for communications service providers, and custom order products, posted a decrease in sales to 1,482 million yen, down 38.3% from the previous consolidated fiscal year, due to a lack of progress in winning new large contracts.

Net Sales

(Millions of yen)



Others

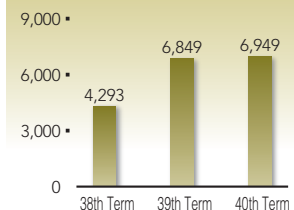
6,949
million yen

This division, which engages mainly in the sale of brand products manufactured by other companies that complement our own product lineup, posted sales of 6,949 million yen, a 1.5% increase from the previous consolidated fiscal year, thanks to robust sales of Verbatim® products, including optical disk media, and our broadened product lineup, although sales of SSDs were sluggish due to intensifying competition. In the current consolidated fiscal year, we concluded a sales agency contract with

WD®, part of Western Digital Corporation of the U.S., for the sale of WD® external hard disk drives and NAS in Japan, and launched sales in May. Furthermore, we started sales of a palm-size stick-type PC manufactured by Intel® of the U.S. in June, and began marketing activities proposing new scenarios for computer usage through the sale of product sets consisting of our display products and peripherals.

Net Sales

(Millions of yen)

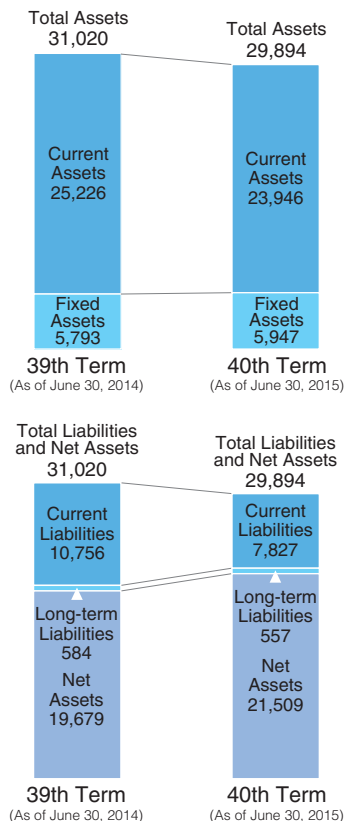


Consolidated Financial Statements >>>

Consolidated Balance Sheets (Millions of yen)

Item	Amount	
	39th Term (As of June 30, 2014)	40th Term (As of June 30, 2015)
ASSETS		
Current Assets		
Cash and bank deposits	6,228	4,824
Notes and accounts receivable-trade	8,129	8,484
Inventories	9,468	8,702
Other	1,402	1,937
Less: Allowance for doubtful accounts	(2)	(2)
Total Current Assets	25,226	23,946
Fixed Assets		
Tangible fixed assets		
Land	2,880	2,880
Other	953	925
Total tangible fixed assets	3,833	3,805
Intangible fixed assets	155	200
Investments and others	1,804	1,942
Total Fixed Assets	5,793	5,947
Total Assets	31,020	29,894
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	6,000	4,322
Short-term loans payable	2,000	500
Accrued income taxes	396	435
Reserve for point system	9	6
Other	2,349	2,562
Total Current Liabilities	10,756	7,827
Long-term Liabilities		
Reserve for directors' retirement allowances	110	110
Reserve for recycle projects	342	327
Reserve for product warranty	92	58
Reserve for stock benefits	-	21
Other	38	39
Total Long-term Liabilities	584	557
Total Liabilities	11,340	8,384
NET ASSETS		
Shareholders' equity	19,372	20,063
Common stock	3,588	3,588
Capital surplus	4,228	4,242
Retained earnings	12,779	13,470
Treasury stock-at cost	(1,222)	(1,237)
Accumulated other comprehensive income	241	1,407
Minority interests	65	37
Total Net Assets	19,679	21,509
Total Liabilities and Net Assets	31,020	29,894

(Millions of yen)



→ ①

LIABILITIES

→ ① Assets

Total assets decreased 1,125 million yen from the previous consolidated fiscal year to 29,894 million yen. This was due to factors including decreases of 1,404 million yen in cash and bank deposits and 766 million yen in inventories, although derivatives rose 985 million yen.

→ ②

NET ASSETS

→ ② Liabilities

Liabilities decreased 2,956 million yen from the previous consolidated fiscal year to 8,384 million yen. This was due to factors including decreases of 1,677 million yen in notes and accounts payable - trade and 1,500 million yen in short-term loans payable as funds for the settlement of notes and accounts payable - trade, etc.

→ ③

→ ③ Net Assets

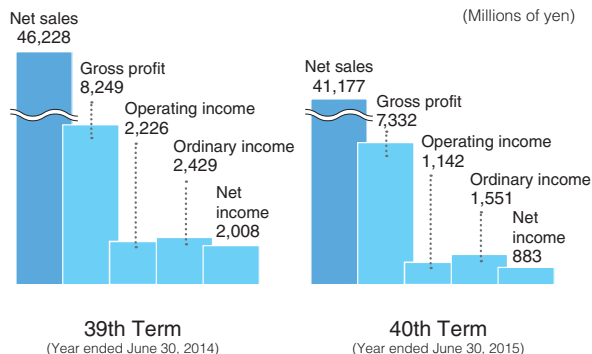
Net assets increased 1,830 million yen from the previous consolidated fiscal year to 21,509 million yen. This was due to factors including net income of 883 million yen and an increase of 677 million yen in deferred gains or losses on hedges.

*Figures less than one million yen are rounded down.

Consolidated Statements of Income (Millions of yen)

Item	Amount	
	39th Term (As of June 30, 2014)	40th Term (As of June 30, 2015)
Net sales	46,228	41,177
Cost of sales	37,979	33,844
Gross profit	8,249	7,332
Selling, general and administrative expenses	6,022	6,189
Operating income	2,226	1,142
Other income	409	529
Other expenses	206	120
Ordinary income	2,429	1,551
Extraordinary loss	2	0
Net income before income taxes	2,427	1,550
Income taxes-current	436	581
Income taxes-deferred	(46)	113
Net income before minority interests	2,037	855
Minority interests in income (loss)	29	(27)
Net income	2,008	883

*Figures less than one million yen are rounded down.



→ 4 Cash flows from operating activities

Cash provided by operating activities amounted to 319 million yen (cash used in operating activities of 253 million yen was posted for the previous consolidated fiscal year). This was due to factors including an increase in cash resulting from 1,550 million yen in net income before income taxes and a decrease of 771 million yen in inventories, and a decrease in cash resulting from a decrease of 1,683 million yen in notes and accounts payable - trade.

→ 5 Cash flows from investing activities

Cash used in investing activities amounted to 309 million yen (cash used in investing activities of 113 million yen was posted for the previous consolidated fiscal year). This was due to factors including a decrease in cash resulting from 298 million yen for the purchase of tangible fixed assets and intangible fixed assets.

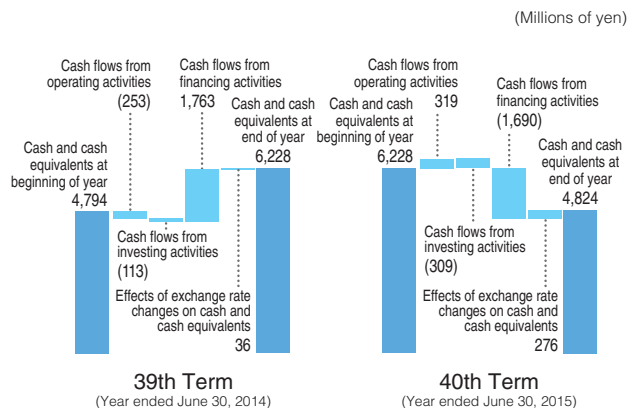
→ 6 Cash flows from financing activities

Cash used in financing activities amounted to 1,690 million yen (cash provided by financing activities of 1,763 million yen was posted for the previous consolidated fiscal year). This was due to factors including 1,500 million yen for the repayment of short-term loans payable and 190 million yen for the payment of dividends.

Consolidated Statements of Cash Flow (Millions of yen)

Item	Amount	
	39th Term (As of June 30, 2014)	40th Term (As of June 30, 2015)
→ 4 Cash flows from operating activities	(253)	319
→ 5 Cash flows from investing activities	(113)	(309)
→ 6 Cash flows from financing activities	1,763	(1,690)
Effects of exchange rate changes on cash and cash equivalents	36	276
Net increase (decrease) in cash and cash equivalents	1,433	(1,404)
Cash and cash equivalents at beginning of year	4,794	6,228
Cash and cash equivalents at end of year	6,228	4,824

*Figures less than one million yen are rounded down.



Topics

◆I-O FAMILY DAY

The I-O FAMILY DAY was held in August 2014 to improve the work environment for employees. The event was attended by 72 people from 39 families, who were able to enjoy experiences they would not otherwise have within their family, including a stamp rally where families could walk around the workplace, and the opportunity to exchange business cards with employees. Many people said that this event helped them gain a deeper understanding of the work done by members of their family. It was a good opportunity that also promoted greater communication within the company by strengthening cooperation among employees.



◆Sales agency contract for external hard disk drives signed with WD

The Company signed a sales agency contract with WD® (hereafter referred to as WD), part of Western Digital Corporation of the U.S., for the sale of WD® external hard disk drives in Japan. WD has supplied embedded hard disk drives to us for the past ten years but the conclusion of this sales agency contract for external hard disk drives further strengthens the partnership between the two companies.



◆ Listing on the Second Section of the Tokyo Stock Exchange

The Company's shares were moved from the Tokyo Stock Exchange's JASDAQ (Standard) Market to the Second Section of the said exchange as of August 27, 2015. A ceremony was held at Tokyo Stock Exchange on the same day to mark the move.



■ Environmental Activity

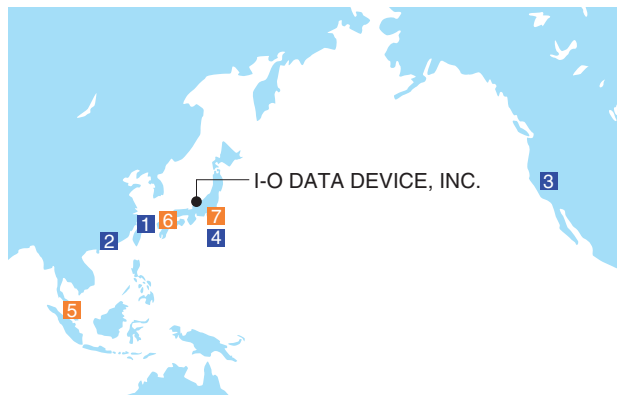
◆ Seashore Cleanup "Clean Beach Ishikawa"

Every year the Company participates in "Clean Beach Ishikawa," a seashore-cleanup project in which a number of companies and individuals participate. This year, on a day blessed by good weather, our employees spent an hour armed with garbage bags working jointly with participants from other companies to clean the coast along the city of Kanazawa.



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

(As of June 30, 2015)



I-O DATA DEVICE, INC. 3

Subsidiaries

Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
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1 TAIWAN I-O DATA DEVICE, INC.	NT\$50,000,000	100.00%
2 I-O 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	49.00%
6 DigiOn, Inc.	¥696,350,000	39.53%
7 Creative Media K.K.	¥499,000,000	30.00%

Status of Shares (As of June 30, 2015)

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	7,201

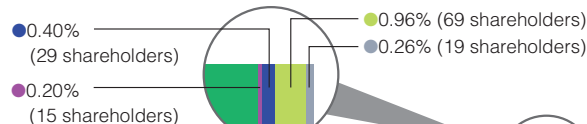
Major Shareholders (As of June 30, 2015)

Names	Number of shares held	Share holding percentage
Akio Hosono	4,514,643	30.42%
I-O DATA DEVICE, INC.	1,946,666	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.	215,500	1.45
MITSUBISHI KAGAKU MEDIA CO., LTD.	200,000	1.34

Distribution of Shares by Shareholder Type (As of June 30, 2015)

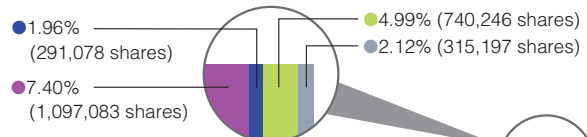
Number of Shareholders

Total 7,201 shareholders



Number of Shares Held

Total 14,839,349 shares



● Individuals, Others ● Financial institutions ● Financial instruments business operators
● Other domestic corporations ● Foreign entities

Company Profile

Outline (As of June 30, 2015)

■ Name	I-O DATA DEVICE, INC.
■ Established	January 10, 1976
■ Capital	3,588.07 million yen
■ Employees	435 (Non-Consolidated) 479 (Consolidated)

Board of Directors (As of September 25, 2015)

President	Akio Hosono
Executive Director	Nobuo Ikeda
Managing Director	Naonori Hamada
Director	Hiroki Kato
* Director	Yoshihiro Nitta
Standing Statutory Auditor	Masakatsu Ikeda
** Statutory Auditor	Akira Mizutani
** Statutory Auditor	Koichi Matsuki
** Statutory Auditor	Kazuya Nakamura

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

Offices (As of June 30, 2015)

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
Account Management Institution for Special Accounts:	Sumitomo Mitsui Trust Bank, Limited
Contact Information:	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063
Listed Stock Exchange:	Tokyo Stock Exchange, Second Section
Security Code:	6916

I-O DATA DEVICE, INC.

I-O DATA

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