The 43rd term Annual Report
From July 1, 2017 to June 30, 2018

I-O DATA DEVICE, INC.
Security Code: 6916
We would like to take this opportunity to express our utmost gratitude for your invaluable support.

As of June 30, 2018, we completed our 43rd fiscal year. Hence, we would like to hereby report an overview of our business performance and other relevant information.

We sincerely hope that your support for us will continue in the future as well.

Akio Hosono, Chairman
Naonori Hamada, President
During the current consolidated fiscal year, the Japanese economy was on a moderate recovery track due to robust corporate earnings and improvements in the employment situation. However, the outlook for the Japanese economy remained uncertain due to factors such as concerns over the rapidly changing global situation.

In the domestic digital equipment market including PCs, consumer electronics, and smart devices, in which our group participates, demand for peripherals remained relatively robust on the back of recovery of personal consumption and stronger appetite among companies for IT investment, although the growth in demand for smartphones has come to a halt and sales of PCs and TVs continued to struggle.

Under these circumstances, we have been working to capture changing IT needs in the market through expansion of products and services and create new markets such as for smart homes and IoT. As a result, sales remained strong mainly for memory, storage and liquid crystal monitor, and we posted group sales of 55,441 million yen (up 14.4% from the previous year). In terms of profit, we posted operating income of 2,971 million yen (up 18.5% from the previous year), ordinary income of 3,011 million yen (up 27.5% from the previous year), and net income attributable to owners of parent of 2,066 million yen (up 14.8% from the previous year), as a result of reduced costs of imported parts due to the overall appreciation of the yen in the second half compared with the previous year, in addition to increased sales.
Consolidated Financial Highlights and Outlook for the Next Fiscal Year

■ Net Sales
(Millions of yen)
- 42nd Term: 48,461
- 43rd Term: 55,441 (up 14.4% YoY)
- 44th Term: 57,500

■ Operating Income
(Millions of yen)
- 42nd Term: 2,508
- 43rd Term: 2,971 (up 18.5% YoY)
- 44th Term: 2,350

■ Ordinary Income
(Millions of yen)
- 42nd Term: 2,361
- 43rd Term: 3,011 (up 27.5% YoY)
- 44th Term: 2,350

■ Net Income Attributable to Owners of Parent
(Millions of yen)
- 42nd Term: 1,800
- 43rd Term: 2,066 (up 14.8% YoY)
- 44th Term: 1,650

■ Outline of Consolidated Statements of Cash Flow
(Millions of yen)
- Cash flows from operating activities: 2,644
- Cash flows from investing activities: (1,354)
- Cash flows from financing activities: 1,976
- Effects of exchange rate changes on cash and cash equivalents: (26)
- Cash and cash equivalents at end of year: 9,114

July 2017
June 2018
Looking at the future business environment, the domestic economy is expected to continue in a moderate recovery trend. However, the outlook is not promising due to concerns over overseas political and economic trends and other factors.

In the digital equipment market including PCs, consumer electronics, and smart devices, in which our group participates, opportunities to utilize our group’s technology, ideas and services are increasing due to stronger appetite among companies for IT investment with the aim of improving productivity, progress in the utilization of ICT in the education field, and emergence of new services such as AI and IoT.

Under these circumstances, we are focusing on customer-oriented value proposition in our aim for building a corporate structure which is less affected by the shipping trends of the main units of digital equipment as well as for steady growth. In our efforts to achieve these goals, we will pursue optimized products and services for our customers and further enhance each product lineup as well as accelerate development of excellent solutions by promoting conversion of products to cloud and IoT services using our industry-leading video input/output and storage technologies as well as networks through the fusion of technologies accumulated in the past and a network of partnerships. 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 57,500 million yen (up 3.7% from the previous year) in anticipation of higher sales of liquid crystal monitors as well as emergence of demand for tuners and a rise in demand for TV recordings with the start of 4K broadcasting in December. In terms of profit, we forecast a gross profit of 10,700 million yen (down 0.1% from the previous year, with a decrease of 0.7 percentage point in profit ratio) in light of the current market trends of components at the forecast exchange rate of 110.00 yen per U.S. dollar. In addition, in anticipation of an increase in investment in research and development costs related to development of new markets and higher depreciation following the start of full operation of the core information system which has sequentially been updated during the past two years and the start of operation of our distribution center which is under construction and scheduled for completion in the second half of the next fiscal year, we are planning selling, general and administrative expenses of 8,350 million yen (up 7.9% from the previous year). Consequently, we are forecasting operating income of 2,350 million yen (down 20.9% 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 2,350 million yen (down 22.0% from the previous year). As a result, net income attributable to owners of parent for the current consolidated fiscal year after the deduction of 700 million yen of tax expenses, is forecast at 1,650 million yen (down 20.2% from the previous year).
Sales in this division increased 25.0% year-over-year to 3,590 million yen. Sales volumes were subject to peaks and troughs, including an increase in sales volume of flash memory such as memory cards and USB memory devices and a decline in sales volume of memory modules compared with the previous year. However, both income increased, reflecting higher unit sale prices on the back of a sharp rise in the semiconductor market.

Sales in this division increased 14.7% year-over-year to 13,990 million yen. Income of hard disk drives, our mainstay product, and optical disk drives posted an increase due to higher sales volume and unit sale prices compared with the previous year. In the optical disk drive business, sales increased both for portable Blu-ray drives and the “CD Reco” series (proprietary products enabling users to enjoy music by importing CDs directly to smart devices).

Sales in this division increased 15.3% year-over-year to 13,053 million yen. We worked to maintain our top share of the market of general-purpose models for offices, etc., and steadily pressed ahead with our efforts to enter the game market and digital signage market through enhancement of large and high-resolution models including 4K monitors and options such as stick PCs which broaden opportunities to utilize monitors and “teletouch,” a unit for conversion into a touch panel.
Sales in this division increased 1.1% year-over-year to 7,508 million yen due to increased income of visual-related products, although income in the network devices business posted a minor decrease compared with the previous year.

The successful expansion of sales of “GV-HDREC,” a unit for creating gameplay videos with running commentary, which gained attention in the autumn game show, and “REC-ON” series, digital terrestrial tuners which aim to spread a mobile-oriented viewing style using smart devices, contributed to sales of visual-related products. In the network devices business, although we worked to develop new models and services, sales of both network devices such as wireless LAN and NAS fell short of the level of the previous consolidated fiscal year.

Sales in this division, which deals mainly in OEM products of peripherals for digital consumer electronics and those of communications service providers, and custom order products, were sluggish, finishing at 543 million yen, down 3.8% from the previous consolidated fiscal year.

This division, which engages mainly in the sale of brand products manufactured by other companies that complement our own product lineup, posted sales of 16,754 million yen, a 19.0% increase from the previous consolidated fiscal year, thanks to favorable sales of flash memory and smartphone-related products manufactured by Samsung Electronics as well as WD and Verbatim® brand products.
### Holding of Programming Workshop

From November 2017, we held programming workshops across Japan to offer children, who will lead the future, an opportunity to arouse their interest in IT. At each workshop, we received many more applications than the number of seats available, indicating a high level of public interest.

In the workshops, participants worked enthusiastically, turning on LED through a program, creating games and customizing them on their own.

Seeing children learn at the workshops in an enjoyable way was also a great opportunity for our employees to become aware of many important things.

### Launch of Projector TOUCH

By projecting PC screen on a touch screen laid flat on a table, users can work while sharing the screen on the table. We offer a new form of meeting style where users can talk, look, and write together at a table using a simultaneous multi-touch function.
Distribution Center under Construction in Nomi City

Our distribution center is currently under construction in Ishikawa Prefecture, where the Company’s Headquarters is located. (Operation is scheduled to start in April 2019.) With an investment of a record 2,500 million yen (planned) in this facility, we will improve the efficiency of distribution and further improve our services.

Issue of I-O DATA CULTURE BOOK

In June 2018, we created I-O DATA CULTURE BOOK, in which the values that we have emphasized since the Company’s establishment were compiled.

The Company’s views and styles which we have emphasized were put into words and compiled for the purpose of creating a flow where such views and styles are reflected in the actual business activities as our employees’ conduct.

We will strive to evolve into a company which can continue to provide better values to the greatly changing world, without losing the spirits which we have cherished.
Environmental Activities

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. To achieve a sustainable society, I-O DATA will make every effort to reduce environmental impacts through business activities and product life cycles.

Environmental Goals and Achievements of the 43rd Term

<table>
<thead>
<tr>
<th>Environmental Activities Guideline</th>
<th>Of division goals, goals concerning environmental management system</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Promotion of environment-responsive product design and reduction of environmental impact.</td>
<td>Achievement of sales budget of environment-responsive main stream products of the 43rd term including energy-saving main stream products.</td>
<td>Partially achieved</td>
</tr>
<tr>
<td>2 Implementation of activities to conserve electricity, paraffin oil, and other energy sources used in the course of business activities.</td>
<td>Operational efficiency through updates of the core system and its stable operation.</td>
<td>Achieved</td>
</tr>
<tr>
<td>3 Recycling and proper disposal of waste products generated by business activities.</td>
<td>Optimization of inventory turnover in response to changes in market condition.</td>
<td>Achieved</td>
</tr>
<tr>
<td>4 Efficient use of production materials.</td>
<td>Strengthening of structure in order to respond to changing market.</td>
<td>Partially achieved</td>
</tr>
<tr>
<td>5 Disclosure of information on the Company’s environmental efforts.</td>
<td>Enhancement of activities to ensure delivery of product values to customers.</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

[Overall evaluation]
Throughout the 43rd term, in response to the transition to the 2015 version of ISO, we have promoted activities to identify the direction of our new business, with a view to making our activities future-oriented, while at the same time facing the reality. We have worked to “consolidate our foundation,” which will underpin our future business activities, and generate “new ideas” as well as confirm the effectiveness of various activities and, based on these efforts, have conducted business activities leading to the future. In this way, we will achieve greater synergy between products and services, and further emphasize relationship with our customers and society in pursuit of further development.

Regional Contribution Activities

We are 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 create a better environment.

Examples of Activities

- The Company’s Headquarters building is located along Saigawa. We participated in the Saigawa River Conservancy and cleaned the bank to beautify the landscape familiar to us.
- We held programming workshops, using our products (programming kit).
**Trend of Main Environmental Performance Indicators*1**

<table>
<thead>
<tr>
<th>Reporting period (Fiscal year: July 1 to June 30)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric power consumption (including Offices) (1,000kwh)</td>
<td>1,661</td>
<td>1,548</td>
<td>1,511</td>
<td>1,560</td>
<td>1,584</td>
</tr>
<tr>
<td>Kerosene consumption (kl)</td>
<td>147</td>
<td>131</td>
<td>117</td>
<td>129</td>
<td>140</td>
</tr>
<tr>
<td>Energy input (GJ)</td>
<td>21,989</td>
<td>20,225</td>
<td>19,368</td>
<td>20,300</td>
<td>20,963</td>
</tr>
<tr>
<td>CO₂ emissions*2 (t-CO₂)</td>
<td>1,440</td>
<td>1,282</td>
<td>1,244</td>
<td>1,275</td>
<td>1,317</td>
</tr>
<tr>
<td>Municipal waste (kg)</td>
<td>27,220</td>
<td>39,160</td>
<td>34,380</td>
<td>41,440</td>
<td>63,280</td>
</tr>
<tr>
<td>Industrial waste (kg)</td>
<td>25,364</td>
<td>22,406</td>
<td>51,239</td>
<td>68,257</td>
<td>46,853</td>
</tr>
<tr>
<td>Specially controlled industrial waste (kg)</td>
<td>5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total volume of waste (a) (kg)</td>
<td>52,589</td>
<td>61,566</td>
<td>85,619</td>
<td>109,697</td>
<td>110,133</td>
</tr>
<tr>
<td>Reuse (b) (kg)</td>
<td>542,656</td>
<td>523,940</td>
<td>524,620</td>
<td>589,322</td>
<td>827,662</td>
</tr>
<tr>
<td>Valuable waste (c) (kg)</td>
<td>137,762</td>
<td>124,654</td>
<td>115,600</td>
<td>108,550</td>
<td>88,137</td>
</tr>
<tr>
<td>Total output (a+b+c) (kg)</td>
<td>733,007</td>
<td>710,160</td>
<td>725,839</td>
<td>807,569</td>
<td>1,025,932</td>
</tr>
<tr>
<td>Green procurement rate (%)</td>
<td>95%</td>
<td>91%</td>
<td>92%</td>
<td>91%</td>
<td>83%</td>
</tr>
</tbody>
</table>

*1: There are no greenhouse gas emissions required to be reported (CO₂ from non-energy sources, methane, N₂O, HFC, PFC, SF₆, NF₃).
*2: Of CO₂ emissions, emission coefficients of electric power were reported based on the base emission coefficients for each power producer and supplier for the emission calculation of the reporting year.

**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)

<table>
<thead>
<tr>
<th>Period</th>
<th>Household/Industrial</th>
<th>Volume of collected products (kg)</th>
<th>Number of collected products (Unit)</th>
<th>Volume recycled (kg)</th>
<th>Volume reused (kg)</th>
<th>Percentage reused (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>From April 2017 to March 2018</td>
<td>Industrial</td>
<td>1,442.5</td>
<td>250</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Household</td>
<td>16,156.0</td>
<td>2,800</td>
<td>17,598.5</td>
<td>14,896.9</td>
<td>84.6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>17,598.5</td>
<td>3,050</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Status of Shares (As of June 30, 2018)

- 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: 5,426

Major Shareholders (As of June 30, 2018)

<table>
<thead>
<tr>
<th>Names</th>
<th>Number of shares held</th>
<th>Shareholding percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akio Hosono</td>
<td>2,514,643</td>
<td>16.94%</td>
</tr>
<tr>
<td>I-O DATA Foundation</td>
<td>2,000,000</td>
<td>13.47%</td>
</tr>
<tr>
<td>I-O DATA DEVICE, INC.</td>
<td>1,207,377</td>
<td>8.13%</td>
</tr>
<tr>
<td>Yukie Hosono</td>
<td>763,780</td>
<td>5.14%</td>
</tr>
<tr>
<td>Maxell Holdings, Ltd.</td>
<td>740,000</td>
<td>4.98%</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>670,500</td>
<td>4.51%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>612,800</td>
<td>4.12%</td>
</tr>
<tr>
<td>The Hokkoku Bank, Ltd.</td>
<td>306,662</td>
<td>2.06%</td>
</tr>
<tr>
<td>TRENT Ltd.</td>
<td>269,675</td>
<td>1.81%</td>
</tr>
<tr>
<td>DFA INTL SMALL CAP VALUE PORTFOLIO</td>
<td>221,100</td>
<td>1.48%</td>
</tr>
</tbody>
</table>

Distribution of Shares by Shareholder Type (As of June 30, 2018)

- Individuals, Others: 96.54% (5,238 shareholders)
- Financial institutions: 23.53% (3,491,526 shares)
- Financial instruments business operators: 16.99% (2,519,684 shares)
- Other domestic corporations: 51.63% (7,660,952 shares)
- Foreign entities: 1.85% (273,922 shares)

Subsidiaries

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

Affiliates

<table>
<thead>
<tr>
<th>Names</th>
<th>Capital stock</th>
<th>Percentage of shares held by I-O DATA DEVICE, INC.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 I-O &amp; YT Pte. Ltd.</td>
<td>S$1,585,000</td>
<td>43.33%</td>
</tr>
<tr>
<td>6 DigiOn, Inc.</td>
<td>¥588,000,000</td>
<td>24.56%</td>
</tr>
<tr>
<td>7 Creative Media K.K.</td>
<td>¥499,000,000</td>
<td>30.00%</td>
</tr>
</tbody>
</table>
### Company Profile

#### Outline (As of June 30, 2018)

- **Name**: I-O DATA DEVICE, INC.
- **Established**: January 10, 1976
- **Capital**: 3,588.07 million yen
- **Employees**: 464 (Non-Consolidated), 506 (Consolidated)

#### Board of Directors (As of September 26, 2018)

- **Chairman, Representative Director**: Akio Hosono
- **President, Representative 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 (**).*

### Information for Shareholders

#### Fiscal Year:
- **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.**
- **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).

#### Offices (As of June 30, 2018)

- **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 Tattemachi, Naka-ku, Hiroshima, Hiroshima
- **Fukuoka Office**: 1-1-3 Maizuru, Chuo-ku, Fukuoka, Fukuoka

#### Stock Transfer Agent:
- **Mitsubishi UFJ Trust and Banking Corporation**

#### Contact Information:
- **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**

#### Listed Stock Exchange:
- **Security Code**: 6916

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

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