

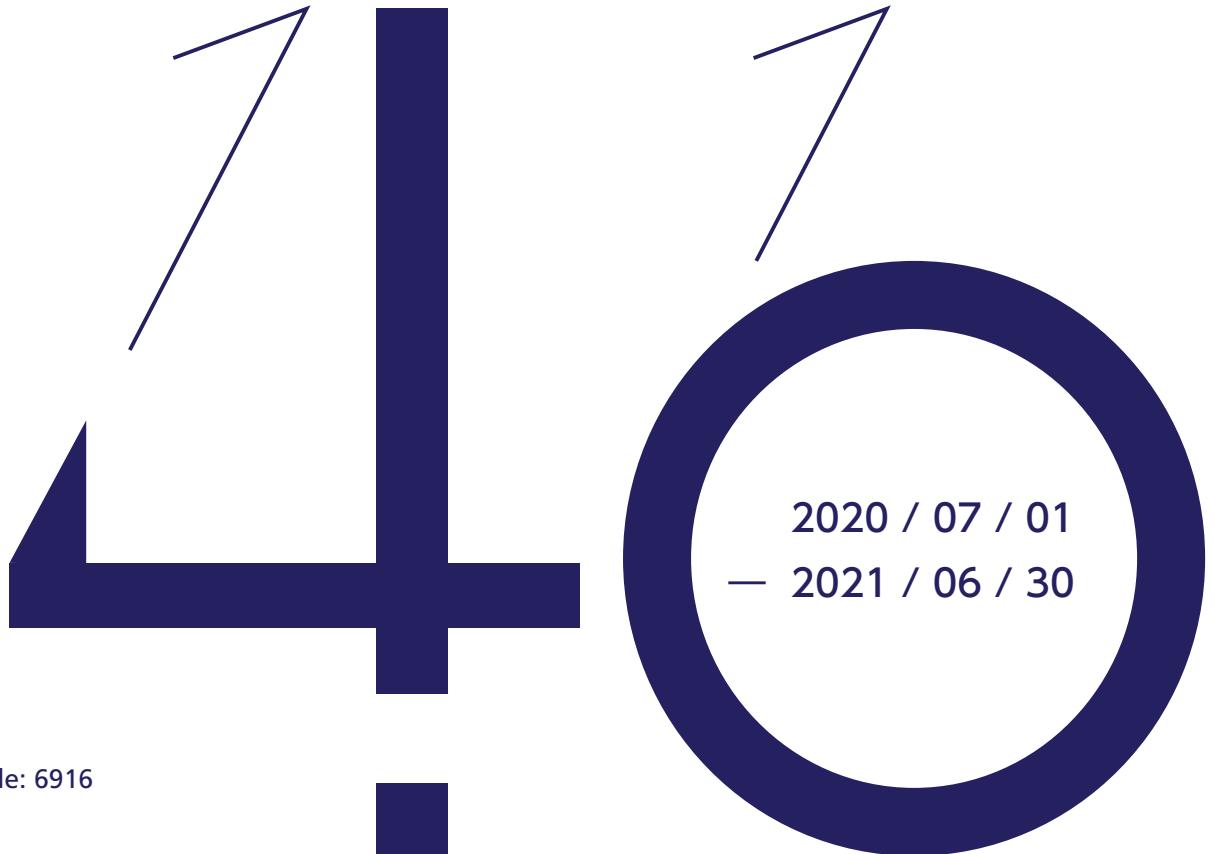
I-O DATA

The 46th term Annual Report

We would like to take this opportunity to express our utmost gratitude for your invaluable support.

As of June 30, 2021, we completed our 46th 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.



◇ To Shareholders:

I-O DATA DEVICE, INC. is often called by its short names, “I-O DATA” and “I-O.”

At one point in the past, there were some in the Company who said that “DEVICE” was unnecessary in the Company name I-O DATA DEVICE, INC. This opinion arose out of a strong desire to create new businesses instead of focusing on solely “devices.”

However, “DEVICE” has never been dropped from the Company name to date.

Countless software products have been developed and released in business areas related to personal computers and smartphones in recent years. Some of them are so convenient that they change the lifestyles of people all over the world. They have dramatically streamlined tasks that many people may feel onerous in life and become popular among many users. When such a business becomes commonplace, it will certainly create a convenient and efficient social system for certain people.

On the other hand, we often hear users say that there are more and more products that are difficult to use, unlike those that they have been familiar with.

We make proposals by adhering to our unique ideas, while being mindful of people feeling that there is something wrong with the services and tools that should offer convenience for many people. As one of the ways to achieve this, we will make proposals that continue to give a sense of comfort by engaging with users through hardware, capitalizing on our identity as I-O DATA “DEVICE.”

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

Naonori Hamada, President, Representative Director



◇ Overview of the Fiscal Year under Review

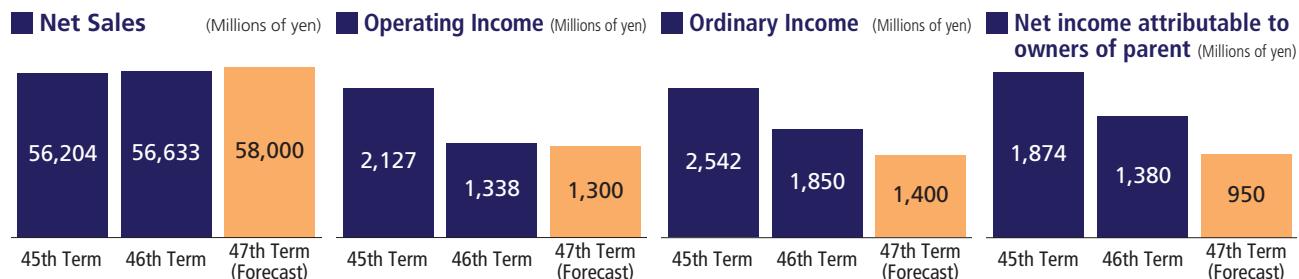
During the current consolidated fiscal year, the Japanese economy continued to face uncertain outlook due to the recurring spread of infection and restriction measures, although efforts to resume economic activities were carried out through various policies despite the ongoing impact of the novel coronavirus.

In the domestic digital equipment market including PCs, consumer electronics, and smart devices, in which our group participates, stay-at-home demand for individuals installing teleworking equipment and games, as well as demand related to the utilization of ICT in educational settings, remained robust throughout the year. Corporate demand continued to be sluggish due to a pull-back from demand for PC upgrades seen in the previous fiscal year and the impact of restrictions on activities, but there were signs of a recovery at the end of the fiscal year. In terms of production, the shortages of semiconductors and LCD panels became exacerbated, requiring close attention to supply disruptions and cost trends on an ongoing basis.

Under these circumstances, the Group strived to broaden the product lineup and expand product sales with a focus on the strong consumer and education markets, while aiming to provide a stable supply of its main products by strategically building up stockpiles.

As a result, we posted net sales of 56,633 million yen (up 0.8% from the previous year), reflecting decreased sales of memory, storage, and other products due to a pull-back from demand for PC upgrades and intensified competition, despite increased sales for the Peripheral Division, liquid crystal monitors, and the Products Division that captured demand. In terms of profit, although selling, general and administrative expenses were contained as a result of restrictions on business activities and other factors, the impact of rising parts prices and strategic stockpiling regrettably led to an increase in inventory valuation loss, which is calculated based on inventory months in our accounting system. As a result, we posted operating income of 1,338 million yen (down 37.1% from the previous year). We posted ordinary income of 1,850 million yen (down 27.2% from the previous year) due to the recording of foreign exchange gains of 438 million yen in other income. We posted net income attributable to owners of parent of 1,380 million yen (down 26.4% from the previous year).

◇ Financial Highlights



◇ Overview of Operations by Division

■ Memory

This division posted net sales of 2,844 million yen, down 23.0% year on year.

This reflects declines in prices and market share due to intensified competition for SSDs for game console expansion, a pull-back from demand for PC upgrades for memory expansion, and sluggish sales of SD cards.

■ Storage

This division posted net sales of 9,988 million yen, down 4.6% year on year.

Sales of mainstay hard disks were generally firm mainly owing to an increase in TV viewing time as people stayed at home, but they slowed down in the fourth quarter. Optical disk drives were flat throughout the year.

■ Liquid Crystal

This division posted net sales of 18,419 million yen, up 4.4% year on year.

Sales of models for retail customers and esports remained strong mainly due to telework and stay-at-home demand, and the installation of large monitors at schools and other facilities progressed. During the fiscal year under review, mobile displays that can be easily carried and stored became part of the new lifestyle, and Raku Raku Board, a new 65-inch electronic blackboard, was released.

■ Peripheral

This division posted net sales of 8,348 million yen, up 7.4% year on year.

Amid growing needs for web conferencing and video distribution, sales of products in the video field such as USB cameras, speakerphones, and video capture devices increased. Sales of products in the network field such as NAS and wireless LAN were slightly lower than the previous year's results.

The division developed APX-MEDICAL/QC, a dedicated terminal device for online verification of health insurance card eligibility, although the full-scale launch of the system scheduled for March 2021 was delayed until October. This signified our entry into the medical administration market.

■ Custom Order Products

Net sales in this division, which mainly engages in customization of the above-mentioned products and OEM sales, decreased 40.0% year on year to 544 million yen as a result of an operation shift to other fields.

■ Products and Others

Net sales in this division, which mainly sells other brands' products that complement our product lineup, increased 4.9% year on year to 16,487 million yen, mainly due to higher sales of hard disk drives of SanDisk Professional, a brand for video creators, which we started offering in the latter half of the previous fiscal year.

■ Reflecting on the Overview of Operations by Division

Hard disks have been increasing their data storage capacity and becoming lighter and smaller in recent years. We used to naturally give priority to reducing the weight and size of our products when we developed products to make them more convenient for users, but something prompted us to reassess that thinking. The prompt came when we pictured a scenario of customers using our products by connecting them to TVs. Users with specialized knowledge can handle lighter-weight and smaller-sized products without any difficulty. However, we found that average users would feel uneasy before purchasing a product that needs to be connected to TVs, unless the product has a certain size and weight like video decks. Average users may feel uneasy because they are not sure if they can really manage to use such a small product. This provided us with an opportunity to reconsider what is really convenient in a true sense by picturing real scenarios of users handling our products.

Due to the impact of the novel coronavirus, there is a sharp increase in the number of people who work at home and in a paperless environment. As there are more and more occasions where several people participate in tasks and share information with each other from a long distance, the functions of liquid crystal displays will continue to be in demand. Peripherals with features such as cameras, microphones, and speakers are also likely to remain in demand to exchange information in methods other than “viewing.”

I-O DATA DEVICE, INC. pays attention to the changes in lifestyle caused by social conditions with a view to conceiving and preparing products necessary for those changes. We will continue to sincerely question what is needed to make our products really convenient for users, instead of just providing what is needed.

◇ Future Outlook

Looking at the future business environment, it is hoped that social and economic activities will pick up as novel coronavirus vaccination progresses, but there are deep-rooted concerns about mutant strains, and a full-scale economic recovery is expected to continue to take some time.

In the digital equipment market including PCs, consumer electronics, and smart devices, in which our group participates, as new normal aiming to strike a balance between infection prevention and social and economic activities become firmly established, remote access and stay-at-home related demand is likely to remain firm, albeit with some pull-back. In addition, the progress and acceleration of digitalization in various fields of the public and private sectors is expected to foster a proliferation of new products and services. Moreover, as the shortage of electronic components, semiconductors in particular, continues, we need to keep a close watch on stable procurement and rising costs for a while.

Under these circumstances, the Group will channel its energy to timely develop proposals suitable for the type of industry and usage scenario and aim to expand business domains, with a focus on work and living in the new era, the utilization of ICT in the education field, and the medical administration field, while paying attention to changes in society. We will make every effort to build long-term relationships with our customers through stable supply, customer-focused sales, and support enhancement. We will continue to take appropriate measures to prevent novel coronavirus infections and ensure the safety of our customers, business partners, and employees.

We would like to ask our shareholders for their continued understanding and support.

●●● Founder's Message ●●●

There are currently all sorts of useful tools that make our life comfortable.

Such tools are certainly wonderful, but I think they should be used not only to make things easier, but also to enable ourselves to gain new power.

What I-O DATA DEVICE strives for is to propose tools that are truly valuable to us.

It may be sometimes necessary to propose new values that are different from the trends of the times.

It is the mission of I-O DATA DEVICE to create such values that are not easy to realize.



Akio Hosono, Chairman, Representative Director

Company Profile / Stock Information

(As of June 30, 2021)



I-O DATA DEVICE, INC.

Subsidiaries

Names	Capital stock	Percentage of shares held by I-O DATA DEVICE, INC.
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1 TAIWAN I-O DATA DEVICE, INC.	NT\$50,000,000	100.00%
2 I-O 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%
5 I-O DATA VIETNAM CO., LTD.	VND4,634,000,000	100.00%

Affiliates

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

Status of Shares (As of June 30, 2021)

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	5,568

Major Shareholders (As of June 30, 2021)

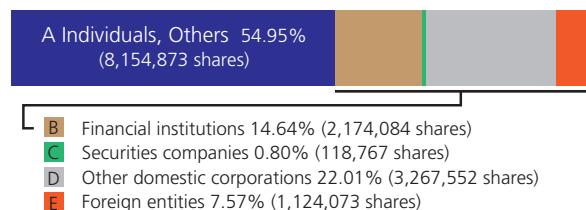
Names	Number of shares held	Shareholding percentage
Akio Hosono	2,514,643	19.40
I-O DATA Foundation	2,000,000	15.43
Yukie Hosono	763,780	5.89
Maxell Holdings, Ltd.	740,000	5.71
The Master Trust Bank of Japan, Ltd. (trust account)	726,800	5.61
Custody Bank of Japan, Ltd. (trust account)	371,100	2.86
The Hokkoku Bank, Ltd.	306,662	2.37
TRENT Ltd.	269,675	2.08
SINOPACSEC	200,000	1.54
Seigo Naito	187,512	1.45

Distribution of Shares by Shareholder Type (As of June 30, 2021)

Number of Shareholders Total 5,568 shareholders



Number of Shares Held Total 14,839,349 shares



Notice of Resolution of the 46th Ordinary General Meeting of Shareholders

Security Code: 6916
September 22, 2021

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

The following matters were resolved at the 46th Ordinary General Meeting of Shareholders of I-O DATA DEVICE, INC. (the “Company”).

Matters reported: 1. The Business Report, Consolidated Financial Statements for the Company’s 46th Fiscal Year (July 1, 2020 - June 30, 2021) and results of audits by the Accounting Auditor and the Board of Statutory Auditors of the Consolidated Financial Statements

The contents of the above were reported.

2. Non-consolidated Financial Statements for the Company’s 46th Fiscal Year (July 1, 2020 - June 30, 2021)

The contents of the above were reported.

Proposals resolved:

Proposal 1: Appropriation of Surplus

The proposal was approved and resolved as originally proposed. The year-end dividend was determined to be 25 yen per share.

Proposal 2: Election of 6 Directors

The proposal was approved and resolved as originally proposed. Messrs. Akio Hosono, Naonori Hamada, Hiroki Kato, Tsutomu Maruyama and Tomohisa Tsukamoto were reelected and Mr. Yoshihiro Senzai was newly elected. They assumed their respective offices.

Proposal 3: Election of 1 Statutory Auditor

The proposal was approved and resolved as originally proposed. Mr. Masao Okafuji was newly elected and assumed his office.

CSR Activities

Regional and Social Contribution Activities

As a member of local communities, we have been striving to contribute to community development and the creation of a better society and to achieve the sustainable development of society that is becoming information-based.

In the fiscal year under review, we were forced to hold back from various activities amid the coronavirus crisis, but here are some of the activities that we engaged in.

Initiatives:

- 1) Support for elementary and junior high school programming contests
 - Prize donation, remote participation in awards ceremonies, etc.
- 2) Support for local sports
 - Assistance for live streaming of tournaments, support for the activities of multiple sports teams, etc.
- 3) Support for esports tournaments
 - Prize donation, etc.
- 4) Support for people who are disadvantaged in accessing and using information technology including people with disabilities, children, and the elderly through multiple organizations
 - Authorized NPO e-Parts, NPO K-net Chirakuichi



Programming contests for children



Live streaming of sports tournaments



Esports: gaming related products

Environmental Activities

We are working on environmental conservation activities based on the environmental policy and action guidelines below. In accordance with our corporate philosophy, we will continue to strive for meeting the expectations of our customers and improving their living environments through our products and services, with an aim to leave a better environment for the next generation.

<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 Activities Guideline>

1. We strive to conserve the global environment and prevent pollution by continuously improving our environmental management system.
2. We comply with environment-related laws and regulations and the industry’s self-regulation, while proactively addressing environmental demands of stakeholders.
3. We strive to contribute to society through cooperation and support for external activities and events for environmental protection and conservation.
4. We set and review environmental goals and undertake the following activities.
 - (1) We promote environmentally friendly product designs to reduce environmental impacts.
 - (2) We strive to recycle and properly dispose of industrial goods used in business activities and generated waste.
 - (3) We strive to disclose environment-related information.
 - * We disclose the information on energy-saving activities for electricity and kerosene used in our business activities and aim to continue those activities.
5. We make this environmental policy known to all employees and all who work for I-O DATA DEVICE, INC., and also disclose it to the public.

Trend of Main Environmental Performance Indicators

		2018	2019	2020
Energy input	(GJ)	21,716	22,502	21,082
CO ₂ emissions*1	(t-CO ₂)	1,172	1,151	1,052
Electric power consumption	(1,000 kwh)	1,672	1,749	↘ (i) 1,636
Kerosene consumption	(kl)	138	138	130
Waste materials	(kg) Total	1,065,145	965,847	1,111,045
Municipal waste category	(kg)	39,692	20,587	↘ (i) 17,869
Industrial waste category (including liquid crystal)	(kg)	64,389	43,341	↗ (ii) 150,583
Reuse category (including liquid crystal)	(kg)	881,680	877,439	↘ (iii) 801,633
Valuable waste category	(kg)	79,384	24,480	↗ (iv) 140,960

*1 There are no greenhouse gas emissions required to be reported (CO₂ from non-energy sources, methane, N₂O, HFC, PFC, SF₆, NF₃). 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.

- (i) Electric power consumption and municipal waste in offices decreased due to teleworking.
- (ii) Due to changes in the criteria for equipment that can be removed as valuable waste, the volume of valuable waste decreased, while the volume of industrial waste increased. Industrial waste also increased due to concerted internal cleanup activities.
- (iii) Decreased due to a drop in the number of pallets to be reused, caused by the changes in frequencies of goods entering and leaving warehouses.
- (iv) Increased as the data of the Nomi Logistics Center was included from 2020.

Information for Shareholders

Fiscal Year:	From July 1 to June 30	Stock Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited
Ordinary General Meeting of Shareholders:	Annually in September	Contact Information:	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 4-5-33 Kitahama, Chuo-ku, Osaka 540-8639
Record Date:	Ordinary General Meeting of Shareholders: June 30 Year-end Dividends: June 30 Interim Dividends: December 31 Other record dates shall be set up and announced in advance when necessary.	Account Management Institution for Special Accounts:	Sumitomo Mitsui Trust Bank, Limited
Media of Public Notice:	Announcements will be made electronically on our website (https://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).	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, First Section
		Security Code:	6916

Notes

■ Procedures such as change of address, and request for sale and purchase of shares of less than one unit

Procedures are in principle handled by the account management institution (securities firm, etc.) with which you have your securities account.

Please contact the securities firm, etc. with which you have your securities account.

■ Procedures concerning shares recorded in special accounts

Please contact Sumitomo Mitsui Trust Bank, Limited, the account management institution.

■ Unpaid dividends

Dividends which have not been received by shareholders are paid at the head office or branch offices of Sumitomo Mitsui Trust Bank, Limited, the stock transfer agent. Pursuant to the Articles of Incorporation of the Company, if dividends are not received within three years from the date of commencement of payment thereof, the Company is relieved of the obligation to make such payment. Please receive your dividends at your earliest convenience.

I-O DATA DEVICE, INC.

I-O DATA

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<https://www.iodata.jp/>