

SUMMARY PLAN DESCRIPTION MATERIAL MODIFICATIONS

I INTRODUCTION

This is a Summary of Material Modifications regarding the Data I/O Corporation Tax Deferral Retirement Plan (“Plan”). This is merely a summary of the most important changes to the Plan and information contained in the Summary Plan Description (“SPD”) previously provided to you. It supplements and amends that SPD so you should retain a copy of this document with your copy of the SPD. If you have any questions, contact the Administrator. If there is any discrepancy between the terms of the Plan, as modified, and this Summary of Material Modifications, the provisions of the Plan will control.

II SUMMARY OF CHANGES

Beneficiary hardship. If your death beneficiary under the Plan has a “qualifying beneficiary hardship,” then you may take a hardship distribution from your elective deferrals under the Plan to assist your beneficiary with the hardship. Your death beneficiary is anyone that you properly designate under the plan terms, or, if you fail to designate a beneficiary, your beneficiary under the Plan’s “default” provisions. A “qualifying beneficiary hardship” includes certain medical expenses, educational expenses and funeral expenses.

Military Service. If you are a veteran and are reemployed under the Uniformed Services Employment and Reemployment Rights Act of 1994, your qualified military service may be considered service with the Employer. There may also be benefits for employees who die or become disabled while on active duty. Employees who receive wage continuation payments while in the military may benefit from law changes effective in 2009. If you think you may be affected by these rules, ask the Plan Administrator for further details.