Data I/O Corporation

Investor Briefing
January 29, 2010

Safe harbor statement

Statements in this news release concerning future revenues, margins, results from operations, financial position, economic conditions, product releases and any other statement that may be construed as a prediction of future performance or events are forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such statements. These factors include uncertainties as to levels of orders, ability to record revenues based upon the timing of product deliveries and installations, market acceptance of new products, changes in economic conditions and market demand, pricing and other activities by competitors, and other risks including those described from time to time in the Company's filings on Forms 10K and 10Q with the Securities and Exchange Commission (SEC), press releases and other communications. The accuracy and completeness of forward-looking statements should not be unduly relied upon. Data I/O is under no duty to update any of these forward-looking statements.

Three topics

Company background

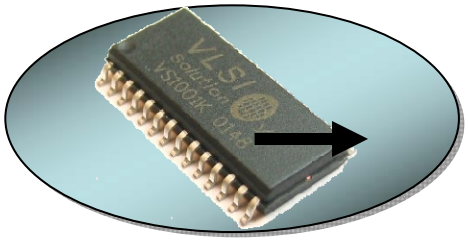
Performance during the downturn

2010 and beyond

Data I/O Corporation

- Is a solid company
  - It's been around for 37 years – dominant in its niche
  - Leading companies (RIM, Apple, Nokia, LG, Continental, Bosch, etc.) depend on DAIO and trust their IP and IP delivery processes to DAIO
  - Has a robust technology patent portfolio
- Has an attractive business model
  - >$15M in cash – no debt
  - Gross margins approach 60%
  - Recurring aftermarket revenue >40%
  - Operating margin >15% at target revenue of $7M per quarter

Data I/O's 35 year legacy of programming

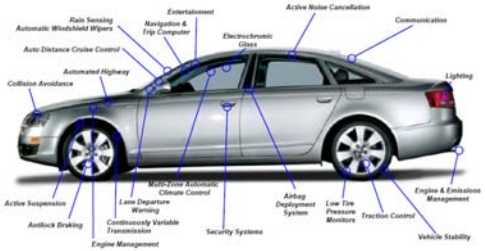
OEM's Intellectual Property → **Data I/O Solution** → 

Data file Image

Semiconductor Devices

OEM, ODM or EMS Customer

Automotive



Wireless

Industrial Control

World Class Companies Repeatedly Choose Data I/O's Programming Innovations

Automotive

Continental
DELPHI
HELLA
KOSTAL
TRW
LEAR CORPORATION
BOSCH
METHODE ELECTRONICS, INC.
HARMAN/BECKER AUTOMOTIVE SYSTEMS
Valeo
ALPS
ALPINE Mobile Media Solutions

Wireless

RIM
Microsoft
Sony Ericsson
LG Life's Good
NOKIA Connecting People
KYOCERA
SONY
SANYO
wistron
cobra
htc smart mobility
SPANSION

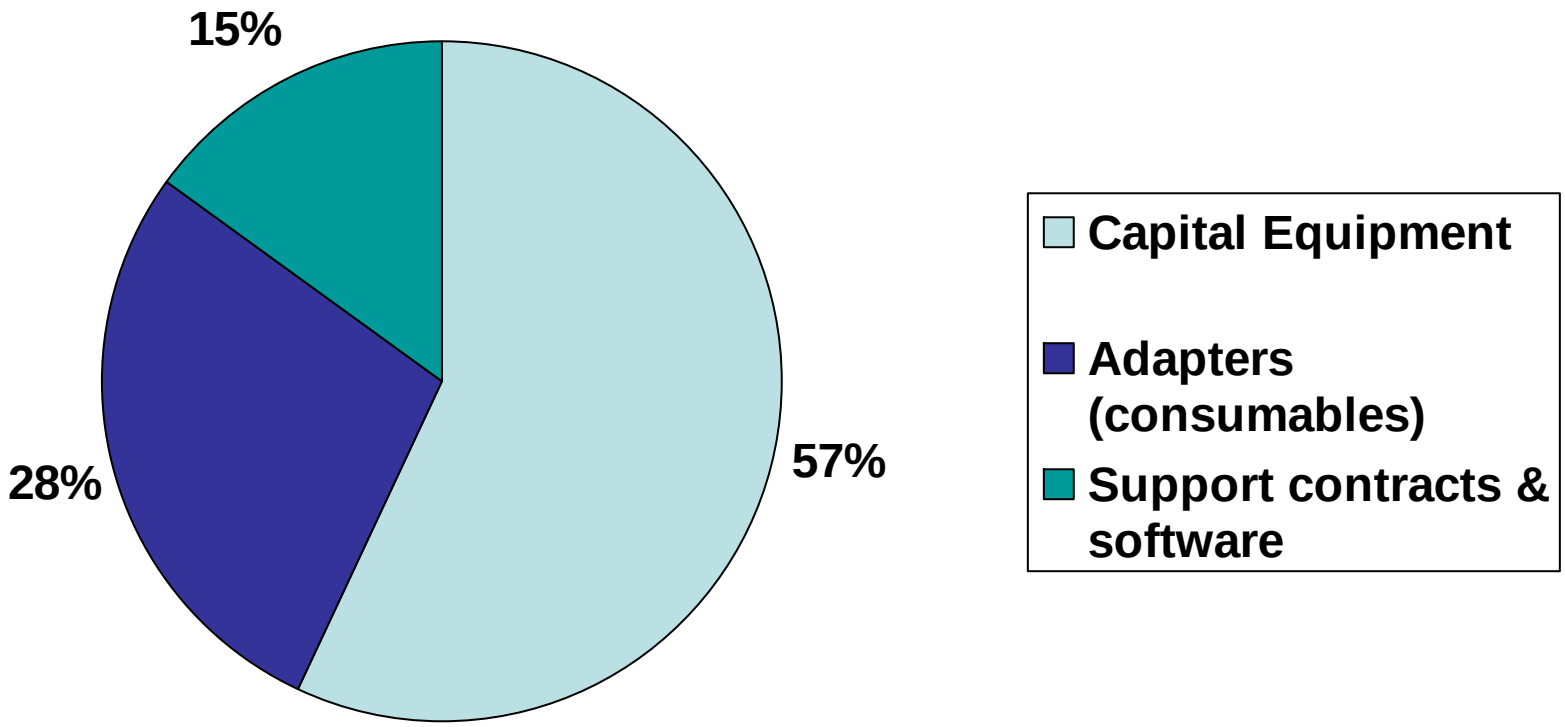
Industrial Automation

WATLOW www.watlow.com
BEKO
Honeywell
3M
Schindler
MOOG
SIMCO
Rexroth Bosch Group
INSTRON The difference is measurable
SQUARE D
Miele
GILBARCO VEEDER-ROOT
omega.com® Your One-Stop Source for Process Measurement and Control!
RAIN BIRD

SANMINA-SCI
ELCOTEQ
FLEXTRONICS
FOXCONN
AVNET
Elmitech
SOLECTRON

Data I/O

Data I/O's aftermarket revenue exceeds 40%



Innovative customers drive the business

	Customer Types				
	OEMs			EMS	Programming Centers
	Wireless & Consumer Electronics	Automotive Electronics	Industrial & Control Electronics	Contract Manufacturers	
Typical customers	Nokia, LG, Motorola, RIM, Sony, HTC, Microsoft, Vestel	TRW, Lear, Delphi, Bosch, Blaupunkt, Continental, Siemens VDO	Allen-Bradley, Square D, ABB, Trane, Grundig, Danfoss, Philips	Flextronics, Celestica, Elcoteq, Jabil, Wistron, Foxconn.	Arrow, Avnet, BTV, MSC, HTV, CPS, Liberty, Synchroworks,
Programmable devices used	5 billion NOR & NAND flash devices annually; 5 billion microcontrollers	5 billion microcontrollers annually; use of flash growing	2 billion microcontrollers	Same as OEMs they serve	Same as OEMs they serve, and lines they distribute
Business drivers	GPS, DRM, security, flash media, video, 3G, features & functionality of converged devices	Safety, navigation, infotainment, drive-by-wire	Higher functionality driven by increasing electronic content	Acquisition of OEM factories, production contract wins	Value-addes services, logistics
Programming equipment drivers	Rollout of new products that incorporate higher functionality, more memory, and new technology, e.g. eSD, eMMC	Process improvement and simplification as well as new product rollouts	Process improvement and simplification as well as new product rollouts	New contracts from OEMs, programming solutions specified by OEMs	Capacity utilization of their installed base of equipment
Buying criteria	Throughput, technical capability to support evolving technology, global support, IP protection, robust algorithms	Quality, reliability configuration control, traceability, global support, IP protection	Quality, reliability configuration control, traceability	Lowest equipment procurement cost, global support	Flexibility, lowest life-cycle cost-per programmed-part, low changeover time; use of multiple vendors provides negotiating leverage

Data I/O's "wholeness" sets it apart from the competitors

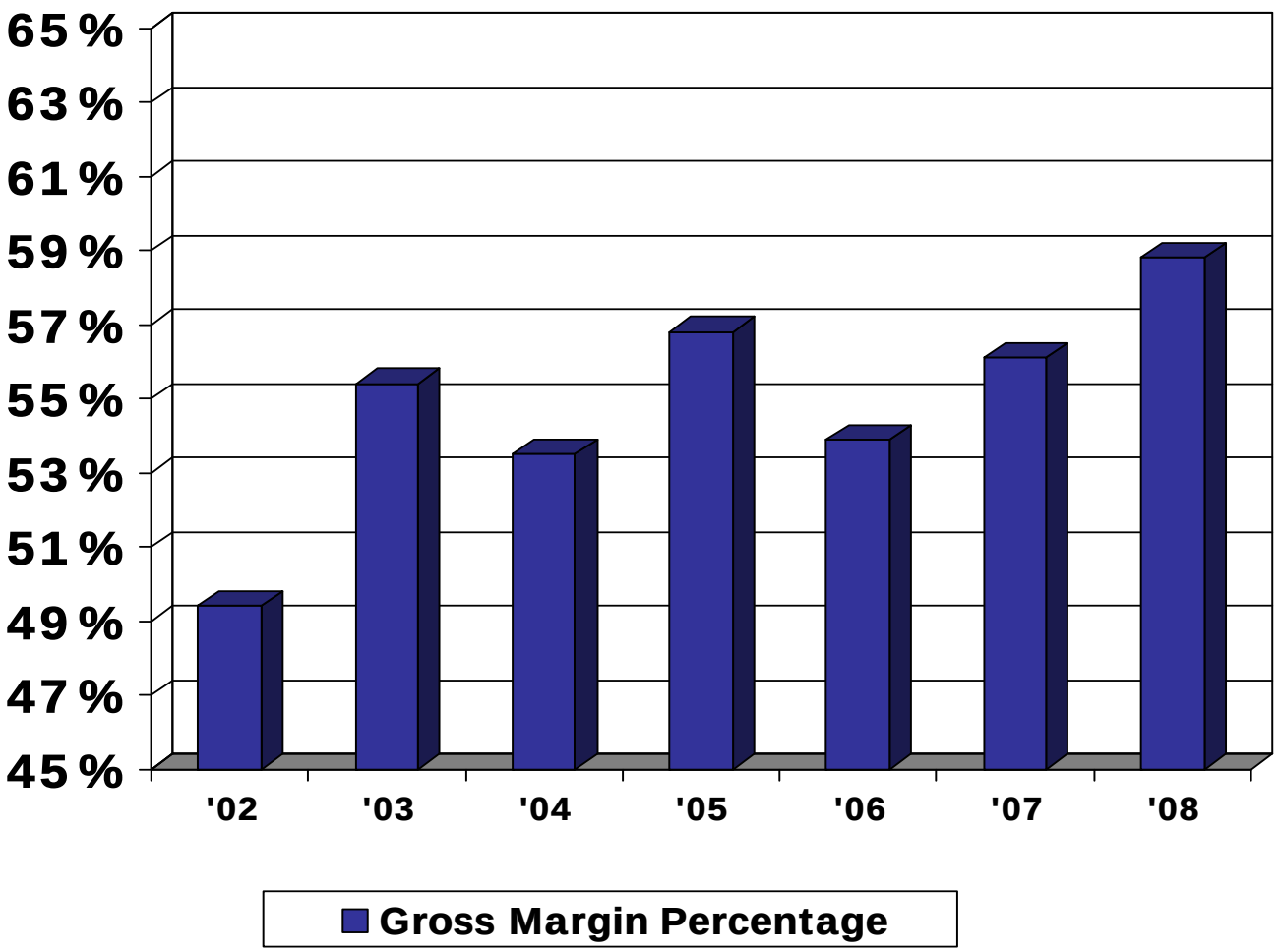
Core Values

Competencies

Extended Customer Value

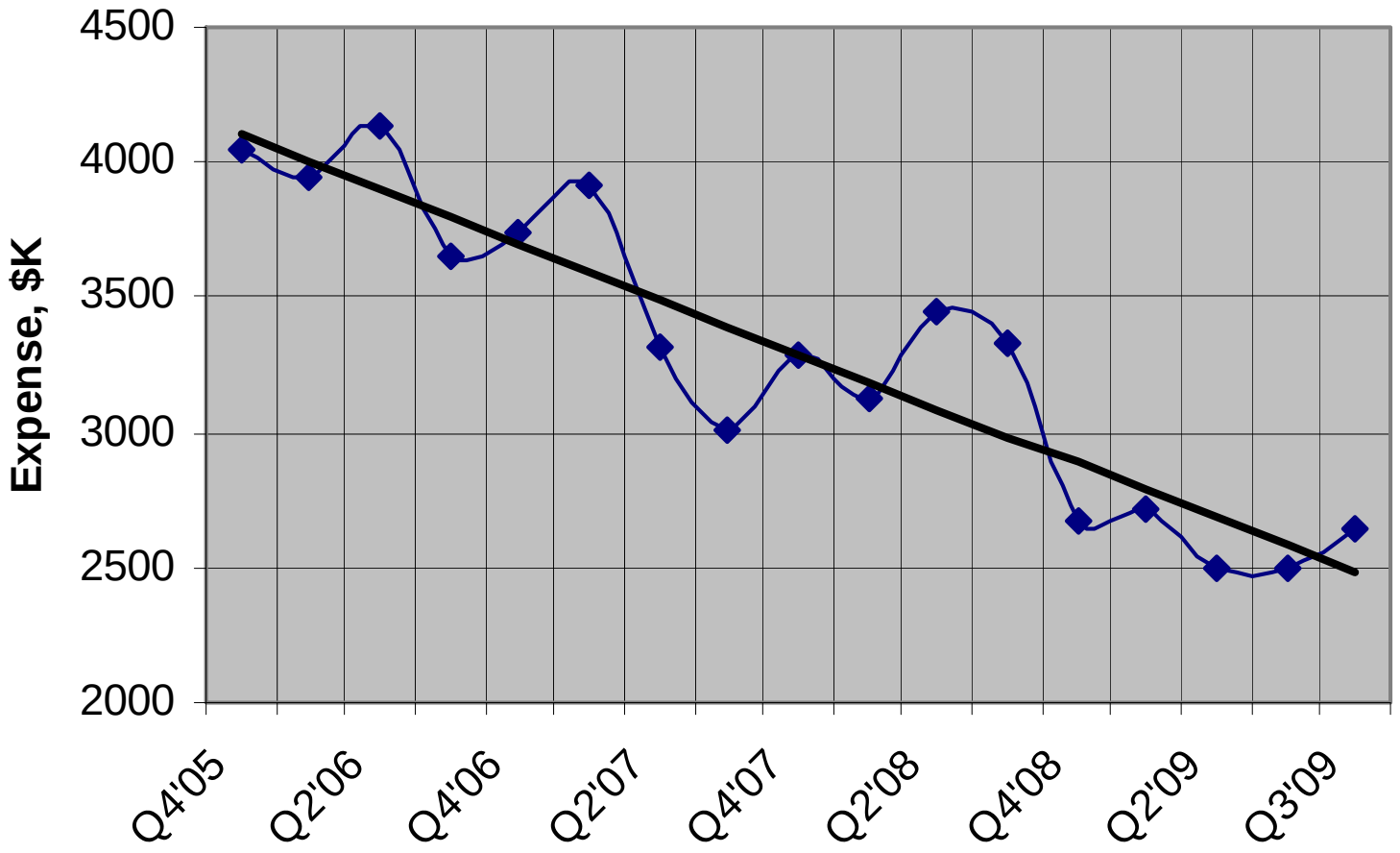
Data I/O

Gross margin growth is driven by new products, increased software content, and greater efficiency*



*Includes benefits from DAIO's subsidiary in Shanghai

Data I/O is lean



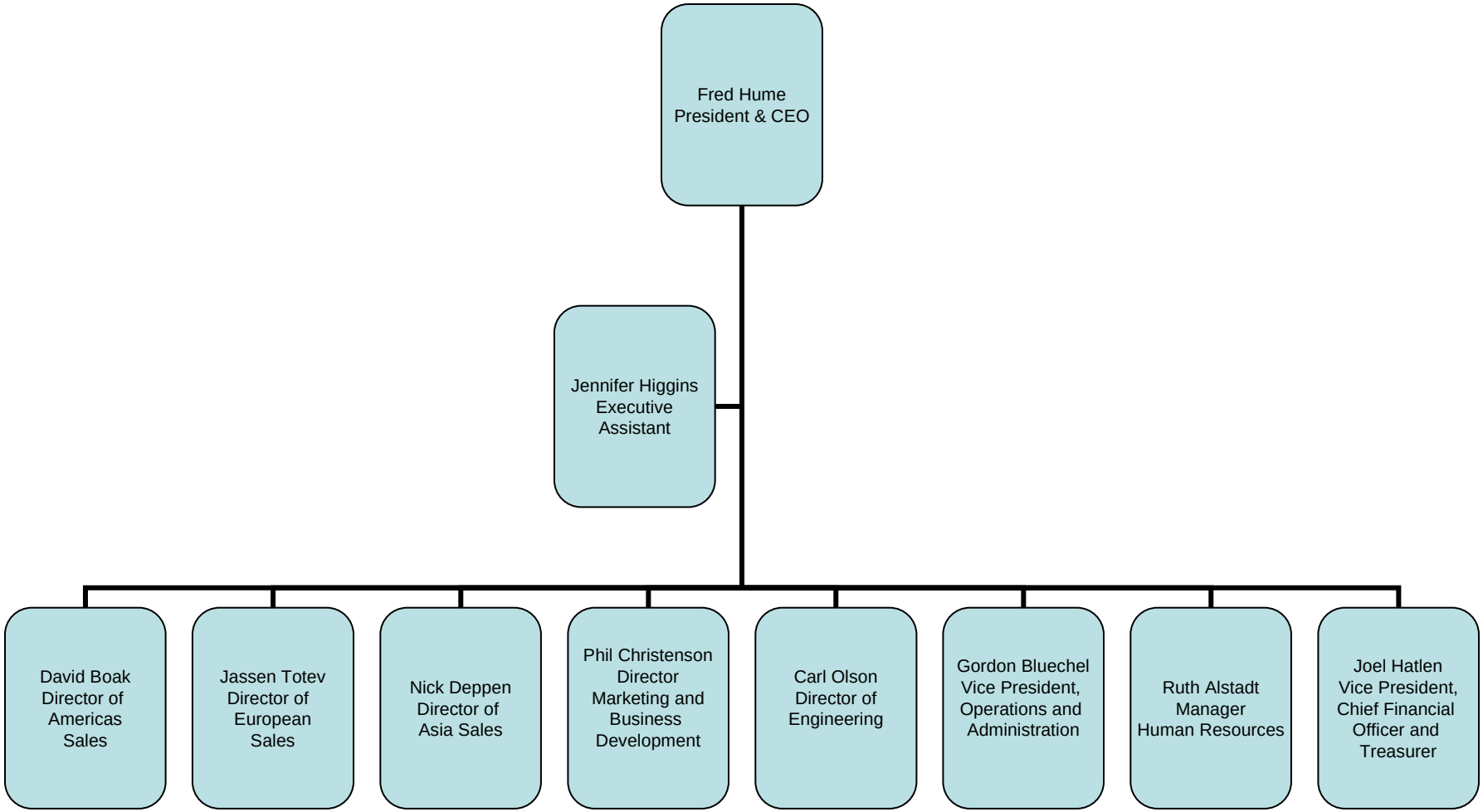
Data I/O's business model provides substantial financial leverage

	Target Business Model	2008 Results
Cost of Goods	40%	41.2%
Gross Margin	60%	58.8%
R&D	15%	16.2%
SG&A	30%	29.4%
Operating Income	15%	13.2%
Net Income		18.6%

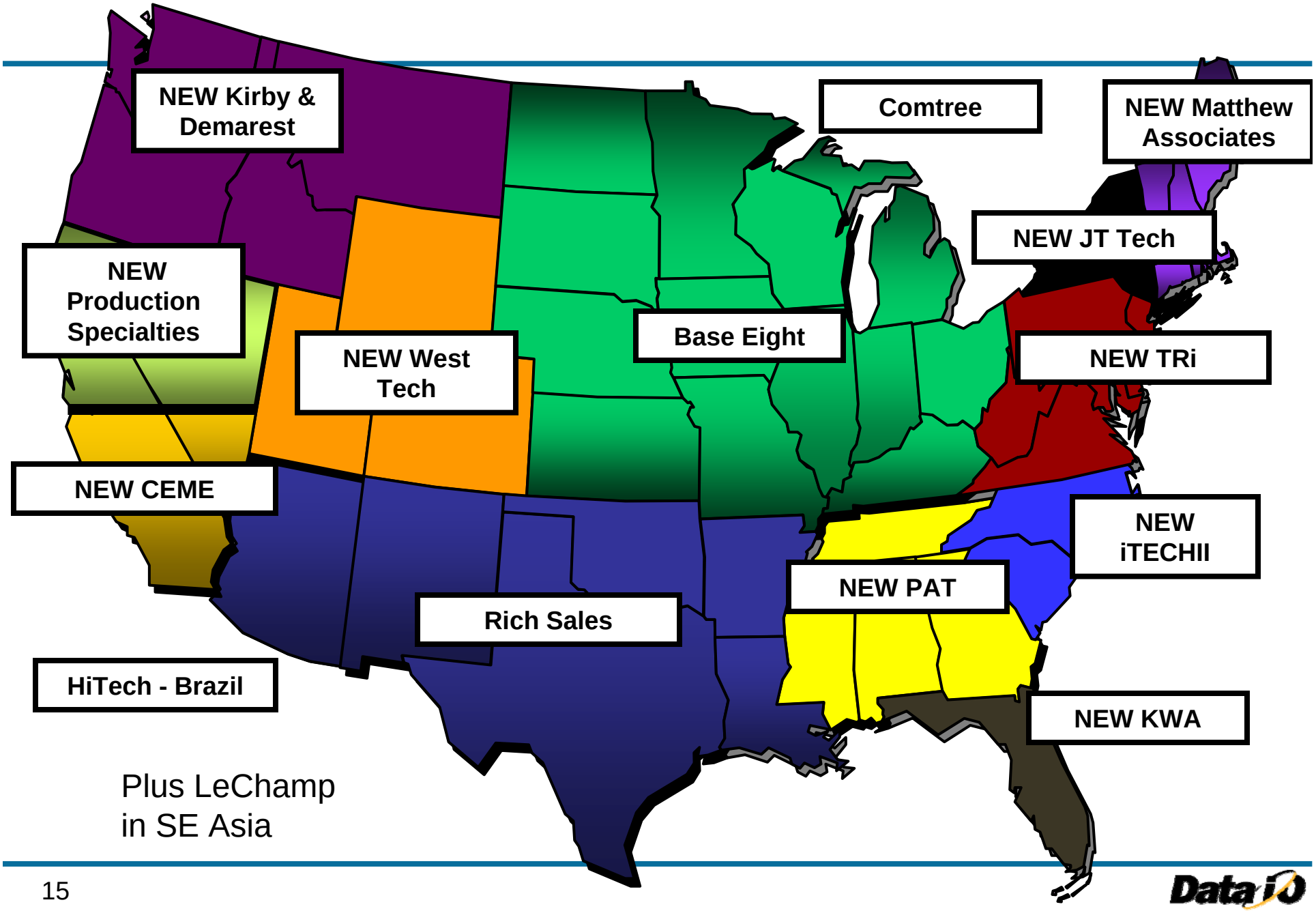
Actions taken during the downturn

What we did	What we didn't do
Streamlined the management structure – eliminated 3 VP positions and 2 outside directors	Resort to mass layoffs
Improved flow of information from bottom to top and sped up decision making	Reduce salaries or working hours
Increased investment in tools, systems, and critical skills	Cut back on investments in the future
Increased "face-time" with customers and non-customers	Cut back on travel

Data I/O's flat organization

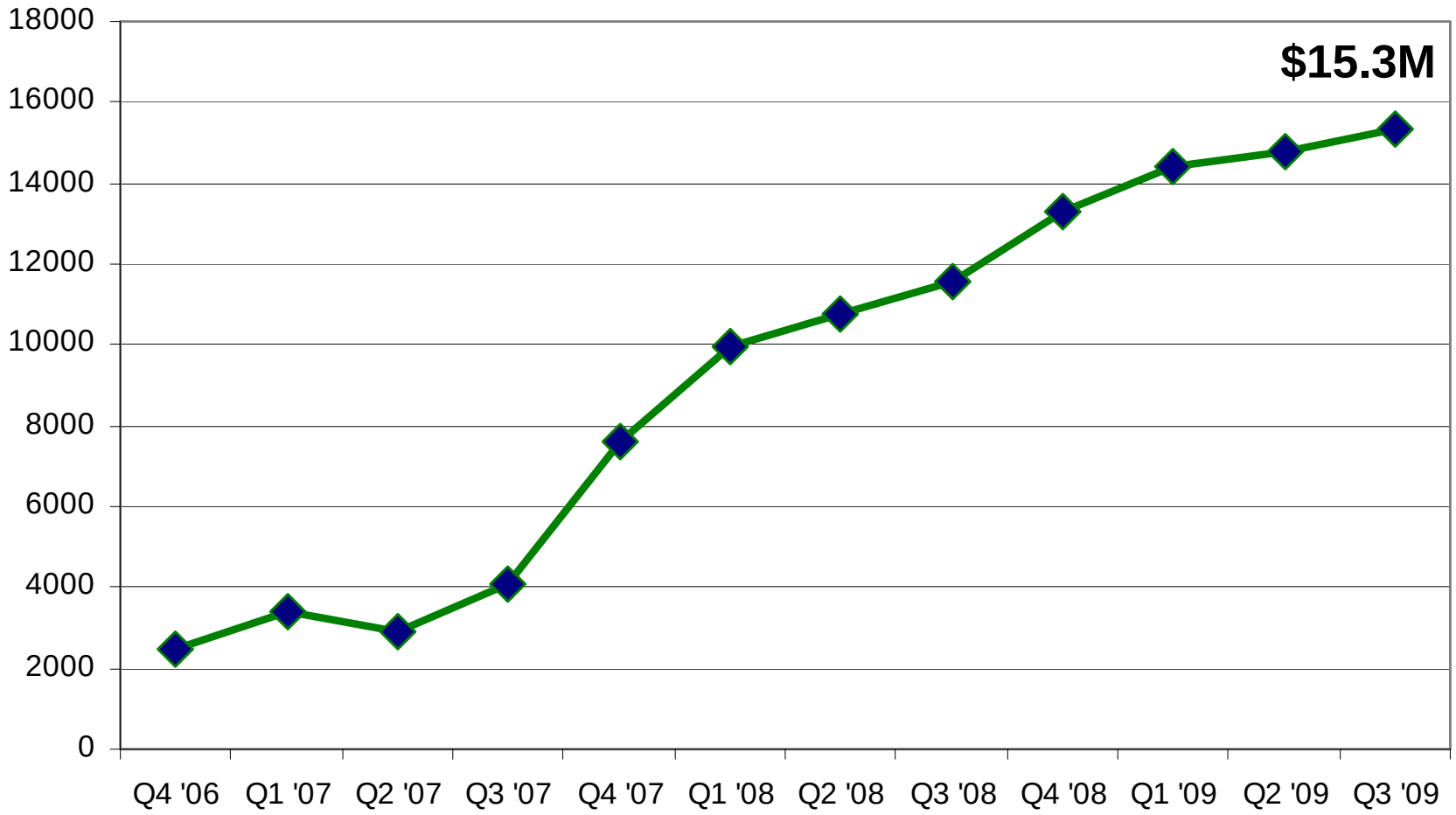


We added sales channels



Plus LeChamp
in SE Asia

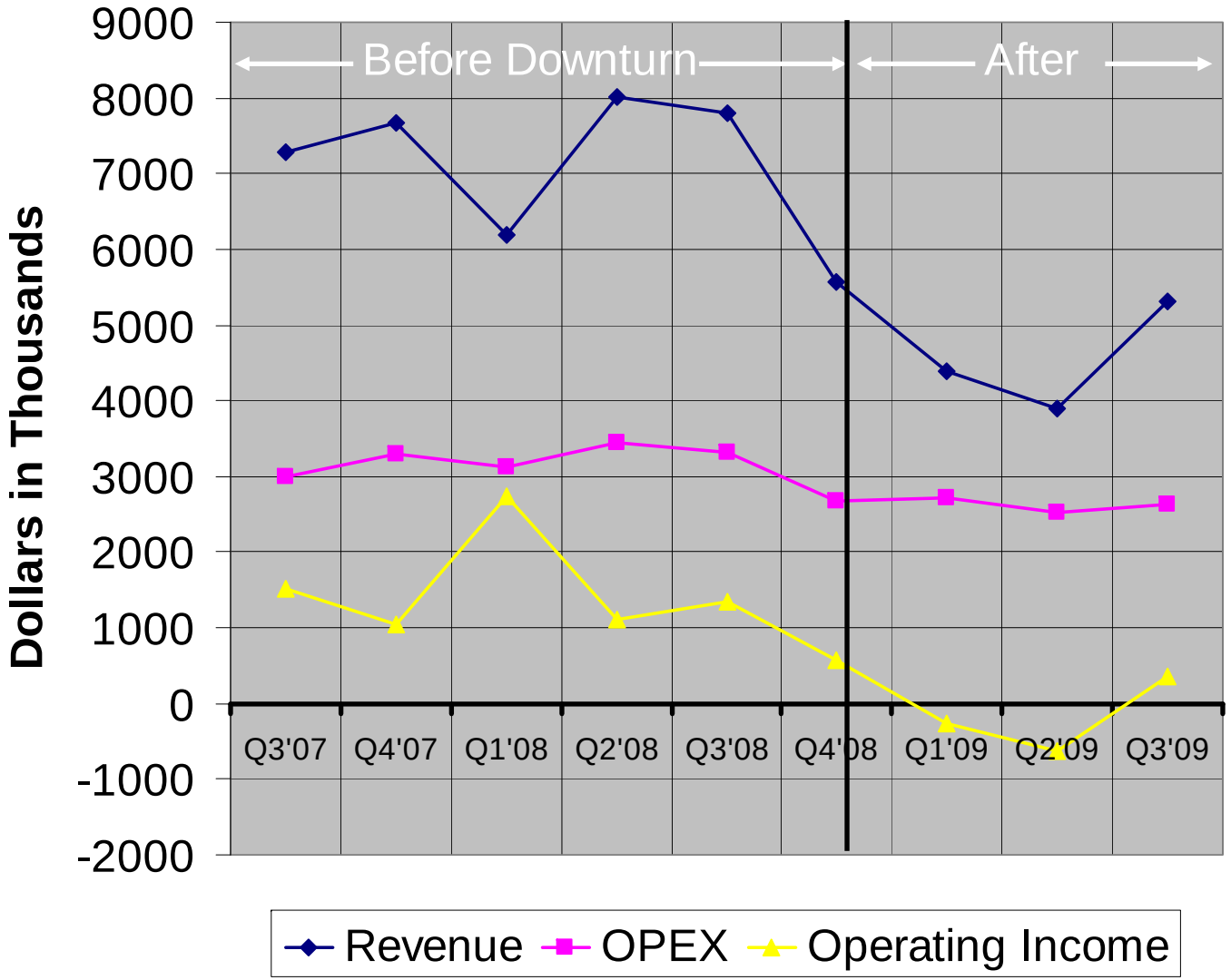
We generated cash during the downturn



Balance sheet highlights

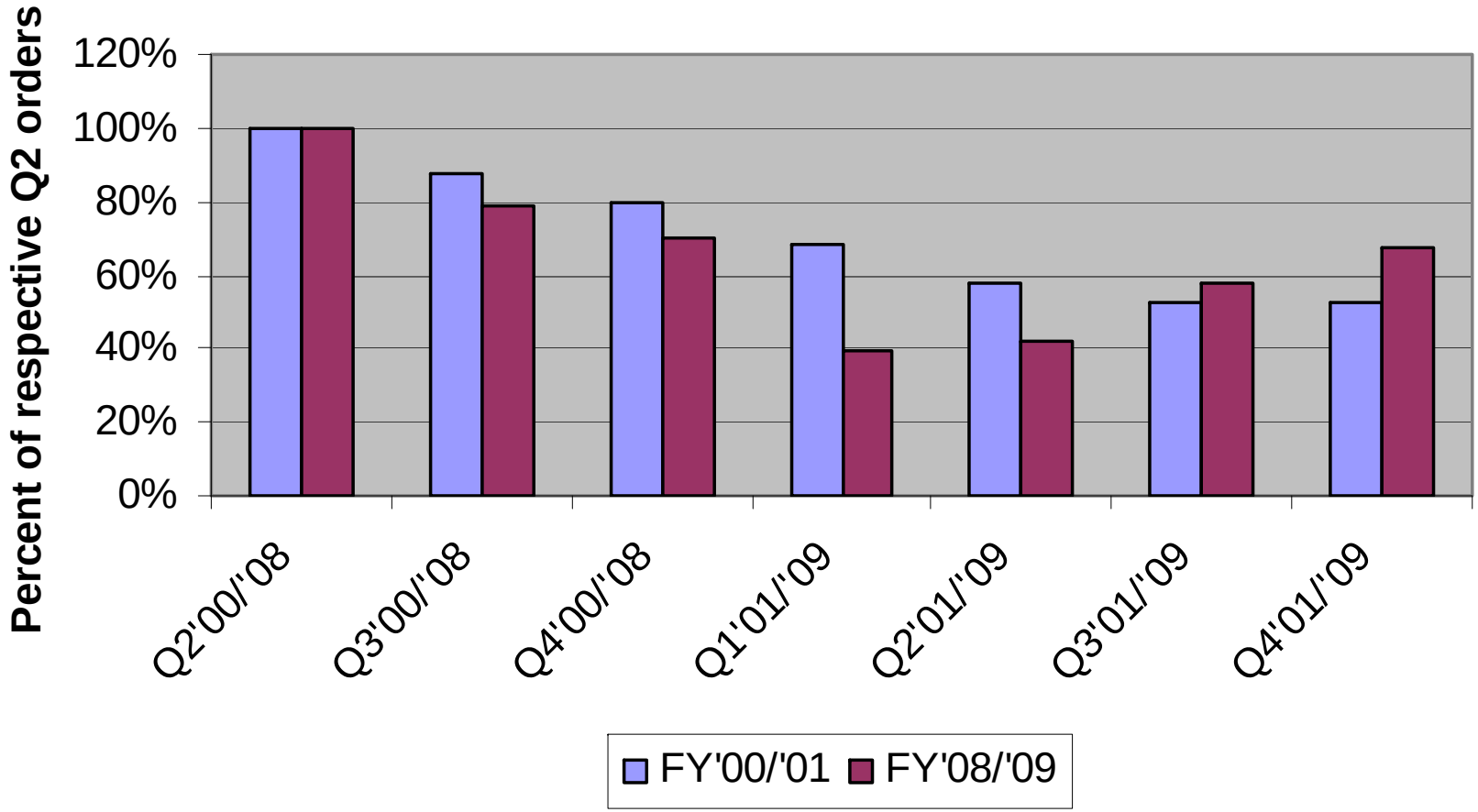
	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09
Cash & Securities	$11.6	$13.3	$14.4	$14.8	$15.3
Acct. Receivable	7.8	5.7	3.2	2.5	3.5
Inventory	5.3	5.0	4.9	4.6	4.3
Fixed Assets	2.1	2.3	2.1	1.9	1.7
Other	0.3	0.5	0.4	0.4	0.2
Total Assets	$27.1	$26.8	$25.0	$24.2	$25.0
Current liabilities	4.5	4.2	2.9	2.9	3.1
Deferred revenue	1.6	1.5	1.5	1.3	1.6
Debt -long term	0.3	0.3	0.3	0.2	0.1
Equity	20.7	20.8	20.3	19.8	20.4

Quarterly revenue, expense, and operating income



Note: Operating income excludes restructuring expense – essentially complete in Q2'09

DAIO's orders are rebounding

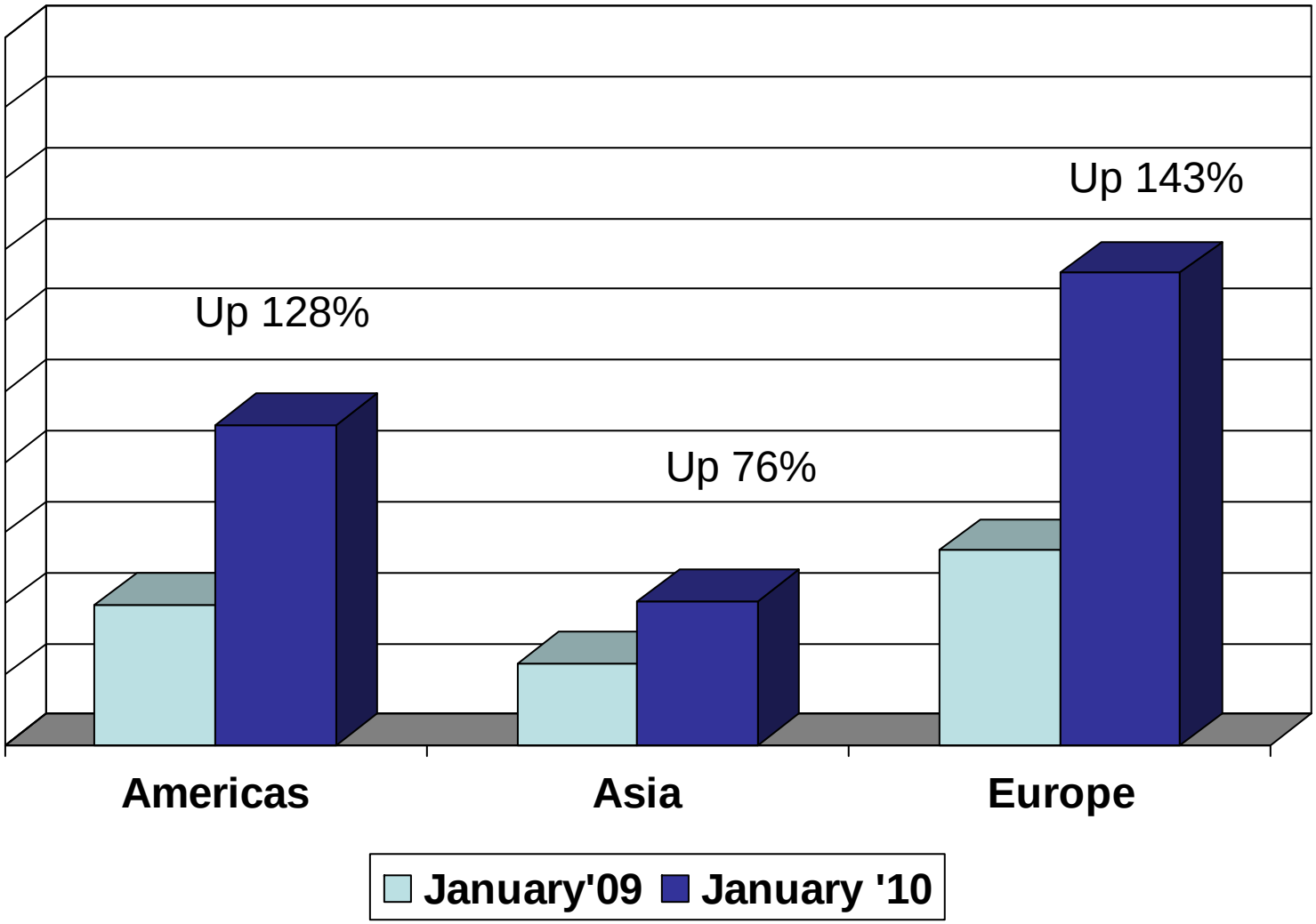


DAIO's moving quarterly total bottomed in May '02 at $4.5M – two years after the start of the downturn

The 2010 outlook brightens

- Capital spending throughout the electronics industry is on the rebound
- Some programming centers have capacity constraints
- The automotive electronics sector is coming back to life
- The demand for Smartphones is expected to remain up sharply throughout 2010
- Our latest programming technology FlashCore III is shipping and driving upgrade business as well as new accounts
- Booked our largest software sale yet to a Smartphone provider in January; more than $150K of profit in the single order
- Our sales funnels have more than doubled since January of last year

Sales funnels have grown substantially

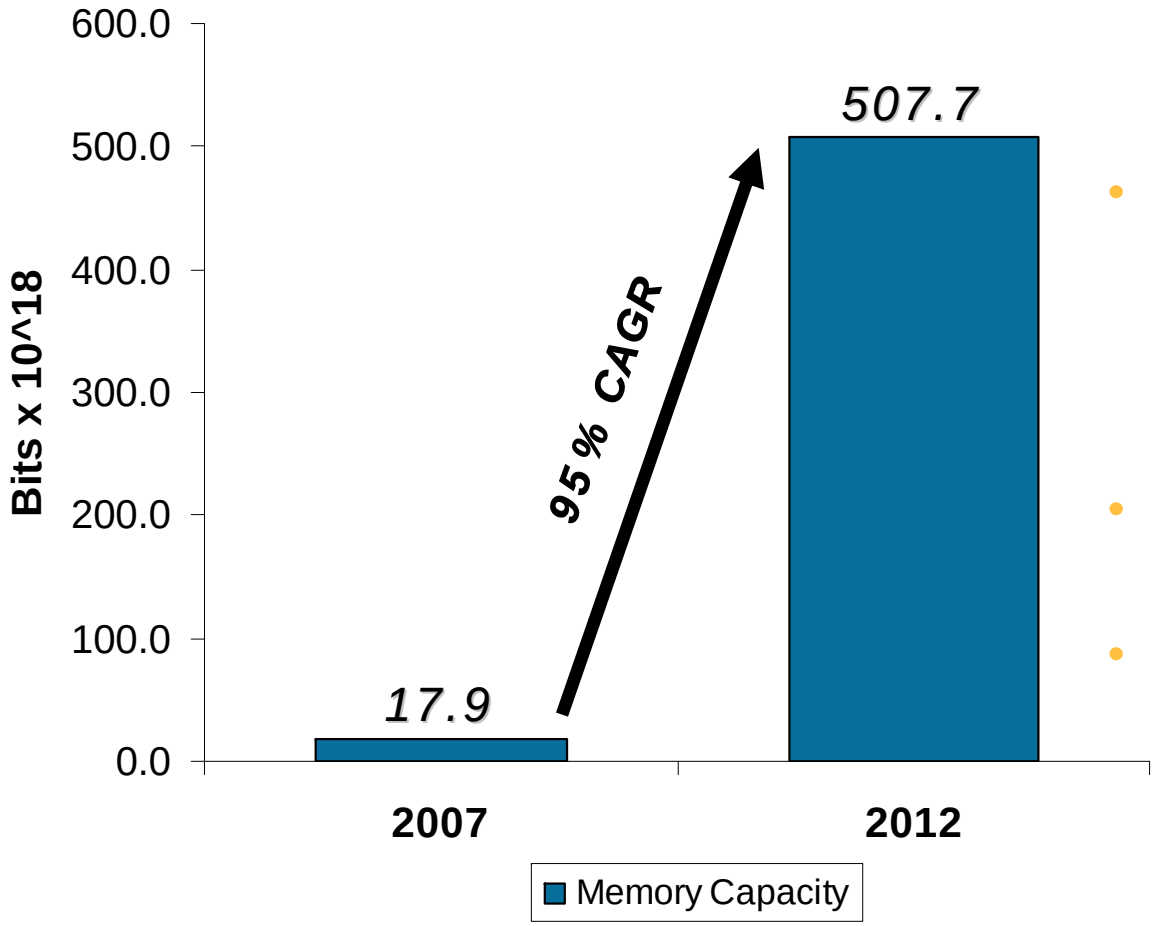


Hot new products for 2010 plus some old that need programming

- HDTVs with 3D and internet capability
- Tablet computing
- Wirelessly connected digital cameras + GPS
- e-books and e-readers
- Small “flip” video cameras
- Smart phone controlled applications
- Smart sensors
- Home power management
- Smart phones going strong
- Internet connected cars

These new applications drive the demand for programming

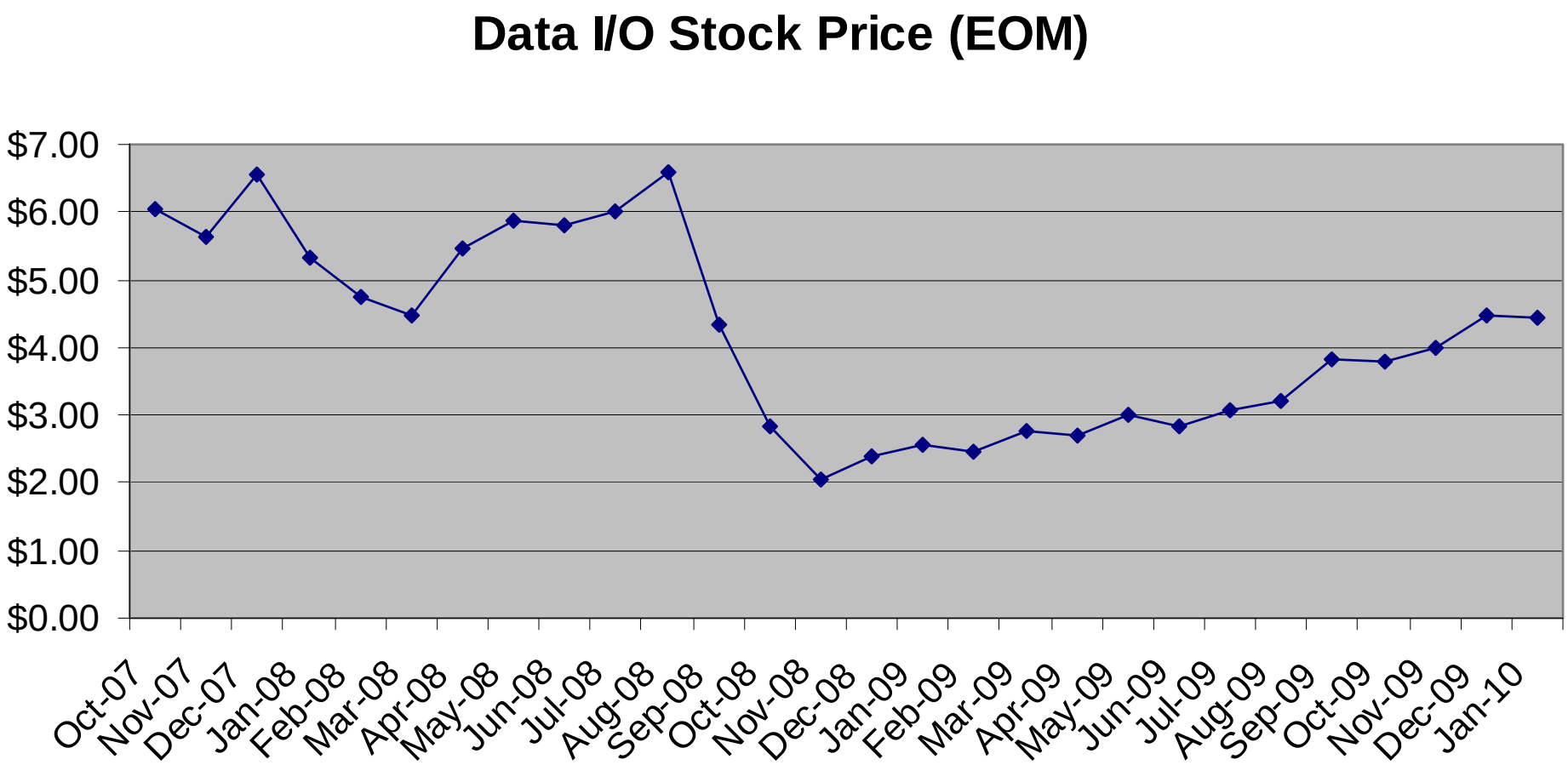
Programmed Content in Electronic Devices



- Customers are spending between $2.0 billion to $2.5 billion a year on programming solutions
- Explosion of digital content
  - New applications in the digital home, global communications, personal mobility and e-commerce
- Programmable content in “everything”
- Increasing demands related to device complexity and memory density

Sources: WebFeet, iSuppli, management estimates.

End of month share price



Summary

- FlashCore III technology is shipping in all product platforms: PS, FLX, RoadRunner, and FlashPak
  - Driving upgrade business at existing accounts
  - Satisfying requirements for high-density NAND Flash programming
- Data I/O's automotive, wireless, industrial, and programming center market segments are recovering
- The new sales channels added during the downturn are beginning to perform
- Data I/O's lower cost business model should deliver excellent earnings growth as revenue grows