DATA I/O CORPORATION

October 26, 2011

Joel Hatlen, Vice President and CFO

Safe Harbor

"The matters that we discuss today will include forward-looking statements that involve risks factors that could cause Data I/O Corporation's results to differ materially from management's current expectations. We encourage you to review the Safe Harbor statement contained in the earnings release as well as our most recent SEC filings for a complete description. Additionally, those forward-looking statements are made as of today, and we take no obligation to update them as a result of developments occurring after this call."

Key facts and figures

Core Focus Areas	Flash Memory and Microcontroller programming for electronics manufacturing
Key Markets	Wireless, Automotive, Consumer, and Industrial Electronics
Presence	Global, HQ in Redmond, WA with facilities in Germany and China
Personnel	95 employees with 16 in Germany and 24 in China, veteran management team averaging 21 years of relevant industry experience
Financial Overview	FY 2010 Revenue: $26.4M; Gross Margin: 58.1%; EBITDA - $4.4M; Recurring revenue - ~40%; Cash: $18.4M, no debt
Structure	Founded in 1972; publicly traded NASDAQ: DAIO

DAIO – The leader in programming solutions for intelligent devices

- Provides advanced programming solutions, process control software and IP management technology used in the production of:
    - Smartphones
    - Tablets
    - eBooks
    - Wireless devices
    - Automotive electronics
- Considers every electronics manufacturer (OEM, ODM, EMS) a potential customer
- Sells solutions globally and used by manufacturers in 32 countries

DAIO's world-class customers

Shipments of programmable devices are growing rapidly

Devices in billions	2009	2010	Growth	Percent
Microcontrollers	9.6	14.8	5.2	54%
Flash Memory	7.9	9.6	1.7	22%
Total	17.5	24.4	6.9	39%

Source: SIA bluebook

Key markets drive the growth

Markets	Growth Drivers
Wireless	Smartphone growth is accelerating driven by Apple and Android handsets
Consumer	Tablet computers and eReaders provided by Apple, HTC, RIM, Nokia, Toshiba, Huawei, Samsung, and Motorola consume large quantities of Flash
Automotive	Electronics is becoming the key element of differentiation. Semiconductor content in automobiles continues to grow at double-digit rates
Industrial	Competitive advantage has shifted from hardware to software programmed into silicon Software content driving the growth

Programming demand is reaching an inflection in the curve

- **File sizes are growing in all applications and driving programming demand**
- **Device density is going up and cost is coming down**
- **Software content of tablets, gaming systems, eBooks, and smart phones is increasing**
- **Data I/O pre-placement solutions are the best for high-density Flash memory**

2010-2015E
CAGR: 53%

Bits Shipped (10^21)

90
80
70
60
50
40
30
20
10

2008 2009 2010 2011E 2012E 2013E 2014E 2015E
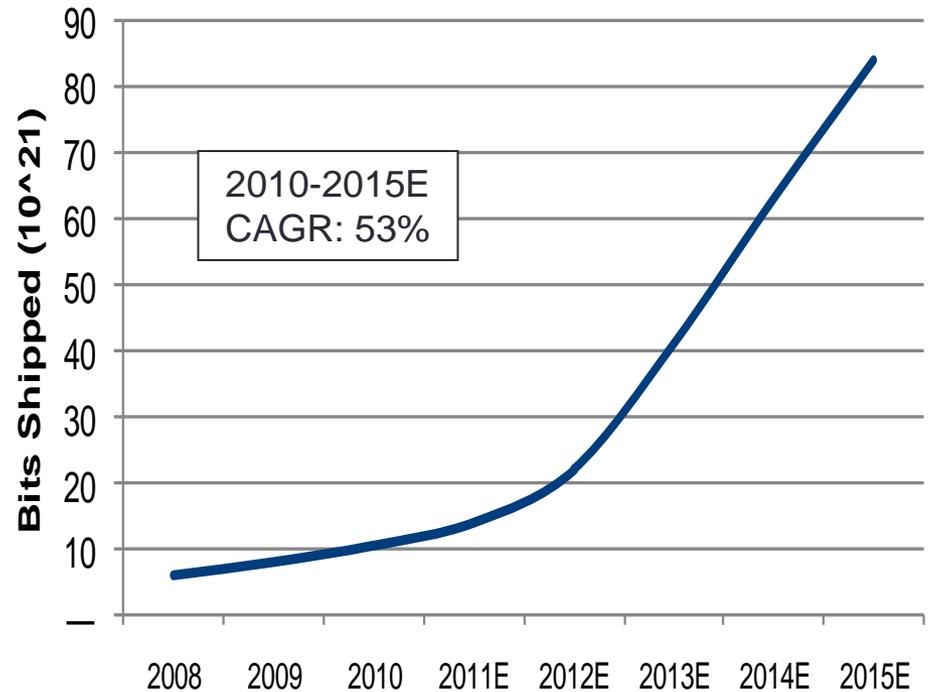
Source: Web Feet Research, Samsung Marketing

The Competitive Landscape

	Process Step	Technology Providers	Advantages/Disadvantages
After Placement Programming	**End of Line Solutions**	**Home Grown Solutions**	• Best for custom configuring of products just before they ship to customers
	Programming at Functional Test	**Agilent, Teradyne, LTX Credence, Aeroflex, Advantest, JOT Automation, JTAG, Corelis**	• The most frequently used method for Microcontroller device programming, particularly in the automotive industry • Best in low to mid-volume manufacturing
	Programming at In-Circuit Test	**Agilent, Teradyne, Yokogawa, Checksum, Qualectron, Circuit Check**	• Increasing density poses significant challenges • Sophisticated programming can create large through-put obstacles for manufacturers
Pre-Placement Programming	**OEM, ODM, EMS**	**Data I/O** **30 Competitors**	• Dedicated products sold to OEMs, EMSs and third party programming centers • Automated pre-placement technology offers best solution for complex programming of Flash • Data I/O is the largest competitor in this segment
	Merchant Programming Centers		• Data I/O is the only major provider to offer a best-in-class in-line product

Data I/O's Programming Solutions

Product			Key Features/Benefits	Price Range
ProLine RoadRunner			▪ Just-in-time, automated in-line programming of four devices ▪ Seamless integration from tape to the pick up point of the placement machine ▪ Integration with placement machines supporting Siplace, Fuji, Panasonic, Assembleon, Universal and MyData	**$62,000 to $119,000**
PS Series	**PS288**		▪ Flexible small/medium batch, automated off-line programming system that addresses unpredictable demands ▪ Four FlashCORE programming stations, creating up to 16 programming sites for devices ▪ Awarded the 2005 SMT Vision Award	**$132,000 to $350,000**
	PS388		▪ Automated, off-line programming solution for small/medium batch sizes ▪ Addresses high throughput demands for extremely large file sizes	**$139,000 to $350,000**
	PS588		▪ Automated off-line programming system with "pick and place", marking and media transfer sub-systems ▪ Ideal system for programming devices of any density in medium/large batches in high volume/high mix applications	**$183,000 to $616,000**
FLX500			▪ Compact, automated off-line programming system for memory and microcontroller applications ▪ Simple, self-learning "plug-and-play" operation running on FlashCORE III programmer technology ▪ Lower overall cost for automation relative to manual gang programming solutions	**$50,000 to $119,000**
FlashPAK III			▪ Networked manual programming systems that support the latest high-density flash memory, NAND flash, microcontroller and EEPROM devices at maximum programming speeds and highest quality ▪ Ideal for first article builds and NPI applications, easy transfer to automated programming systems when ready	**$8,000 to $11,000**

DAIO's recurring revenue is ~40% of sales

- **Adapters**, ~25% of sales, are a source of competitive advantage
- **Software & update contracts**, ~15% of sales, are sold on an annual subscription basis
- New initiatives including the **Factory Integration Software (FIS)** and **Azido** software will increase software revenue and improve gross margins

39%

61%
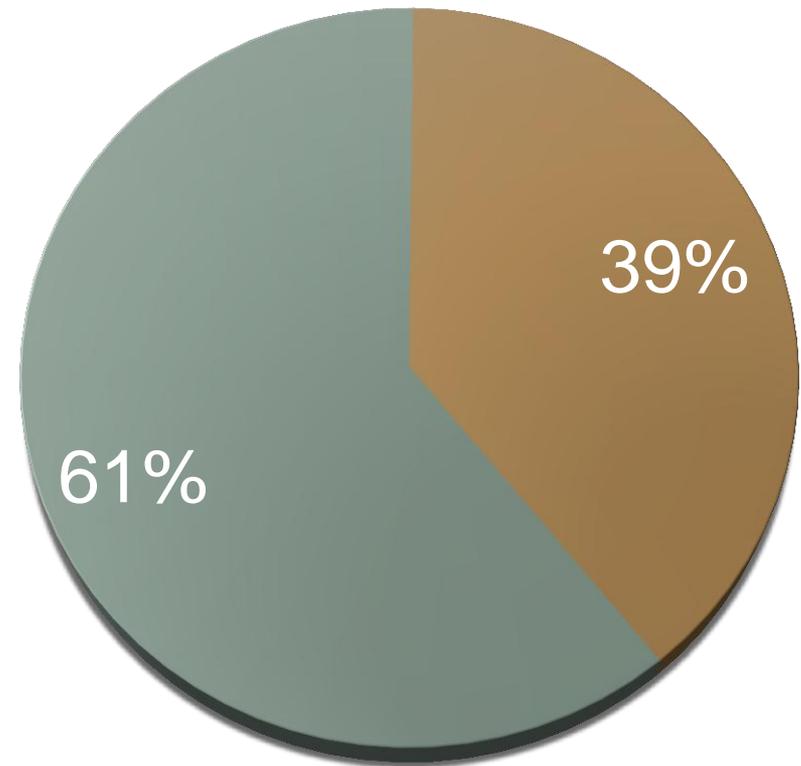
■ Equipment sales ■ Recurring

Accomplishments and highlights

- Introduction of the RoadRunner 3 on August 1st – The latest generation of DAIO's proprietary in-line programming solution
- Introduction of the Factory Integration Software (FIS) suite on August 1st – Installed at a major European automotive customer in Q3
- DAIO's growth markets performed well in the third quarter
  - Automotive customers (Tier 1 suppliers) drove a substantial amount of business in Q3 with no sign of a slowdown
  - Smartphone and tablet computer customers contributed substantial sales in Asia
- Sales in the Americas continued to rebound from first quarter lows
- Cash grew by $1.4M in the third quarter

RoadRunner3 Ensures Quality Product Builds Through Factory Integration

Factory Integration Software on RoadRunner3 enables customers to:

- Automate job selection and download through manufacturing execution software (MES) or custom interface with surface mount assembly (SMT) machine to eliminate operator errors in programming to prevent catastrophic risk
- Reduce inventory – reduce scrap & rework
  - Program just-in-time – eliminate float
  - Eliminate the need to forecast demand for each code release
- Control the programming process
  - Automatically track yield to minimize scrap and rework
  - Ensure traceability of all devices programmed
  - Deliver alerts by email

RoadRunner3 and FIS are significant new products for Data I/O

- Built on proven technology
  - RoadRunner has been deployed by leading manufacturers worldwide – many billions of devices have been programmed
- FIS software are running in leading wireless and automotive electronics accounts
- RoadRunner is a high-margin business; software margins are even higher
- Customers that adopt RoadRunner stick with it and expand its use
- We expect many existing RoadRunner customers to upgrade to RoadRunner3 and/or adopt the FIS software

Third quarter orders remained strong despite global economic stress

By Category	Q2'11	Q3'11	
Automated equipment & services	$3.7M	**$4.4M**	Up sharply
Manual equipment & services	$1.6M	**$0.9M**	
Consumables (Adapters)	$1.9M	**$1.8M**	Stable
Total	$7.2M	**$7.1M**	

By Region	Q2'11	Q3'11	
Asia	$2.8M	**$2.4M**	
Americas	$1.6M	**$2.2M**	Recovering
Europe	$2.8M	**$2.5M**	
Total	$7.2M	**$7.1M**	

Data I/O improved its financial position

	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Cash and equivalents	$18,942	$19,024	$16,990	**$18,380**
Accounts receivable	$4,975	$5,527	$5,336	**$4,775**
Inventories	$3,570	$3,541	$3,926	**$3,798**
Other current assets	$528	$400	$475	**$456**
Total current assets	$28,015	$28,492	$26,727	**$27,409**
Total assets	$29,424	$29,777	$31,113	**$31,612**
Current liabilities	$5,412	$4,765	$4,395	**$4,755**
Long-term payables	$47	$217	$280	**$305**
Total liabilities	$5,459	$4,982	$4,675	**$5,060**
Preferred & common stock	$22,172	$22,271	$23,387	**$23,534**
Retained earnings	$1,793	$2,524	$3,051	**$3,018**
Total Shareholders Equity	$23,965	$24,795	$26,438	**$26,552**

Third quarter 2011 results

	Q2 2011	% of Sales	Q3 2011	% of Sales
Sales	$6,849		$7,051	
Gross Margin	$4,008	59%	$3,943	56%
R&D	$1,275	19%	$1,482	21%
OPEX	$3,491	51%	$3,583	51%
Operating Income	$517	7.6%	$360	5.1%
Net Income	$398	5.8%	$130	1.8%
Earnings per Share	4¢		1¢	

Two-year EBITDA trend
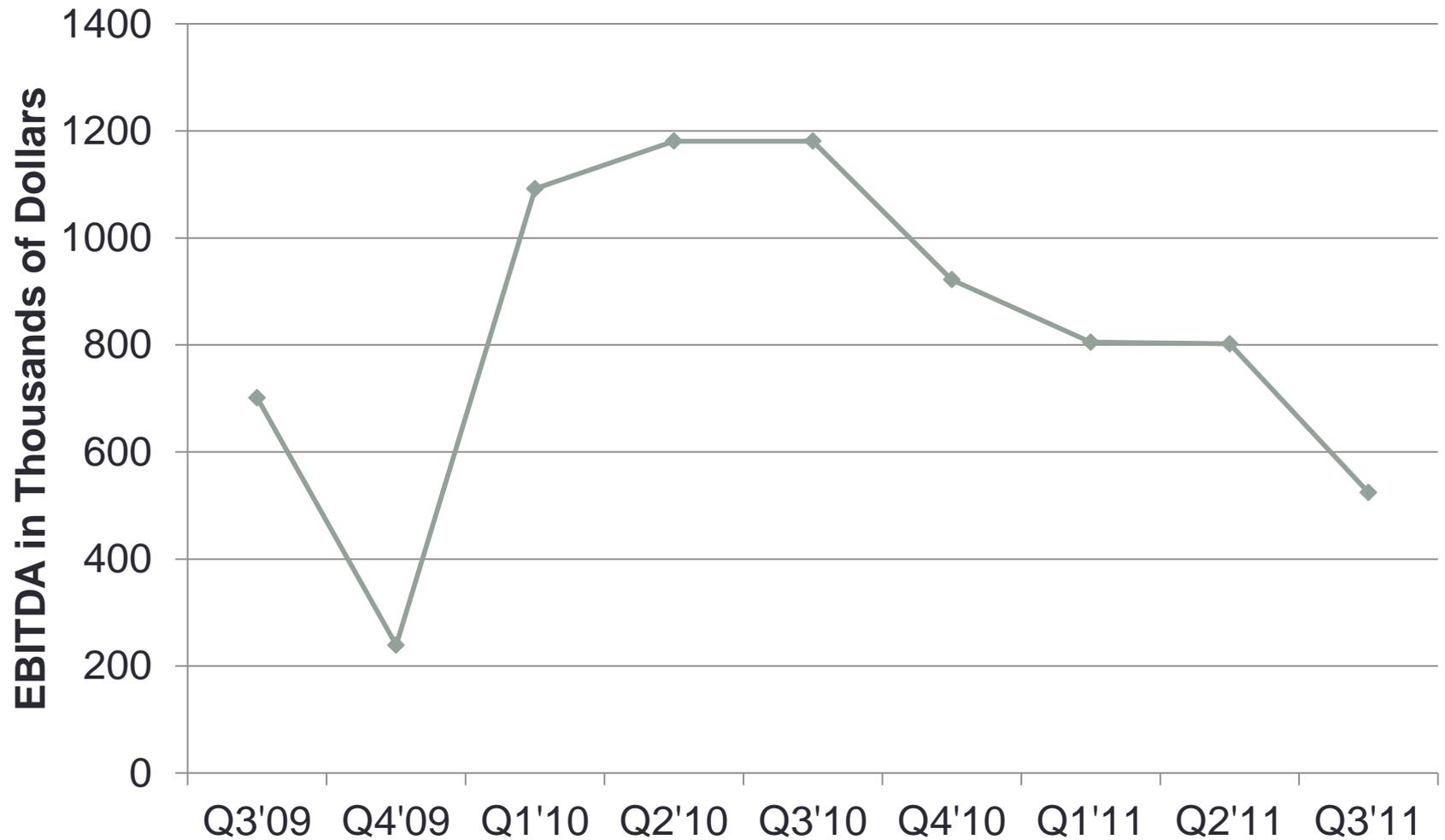
Operating expenses peaked in the third quarter and will begin downward trend

Operating Expense

$2,632	$2,761	$2,888	$2,836	$2,869	$3,252	$3,524	$3,491	$3,583
Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11
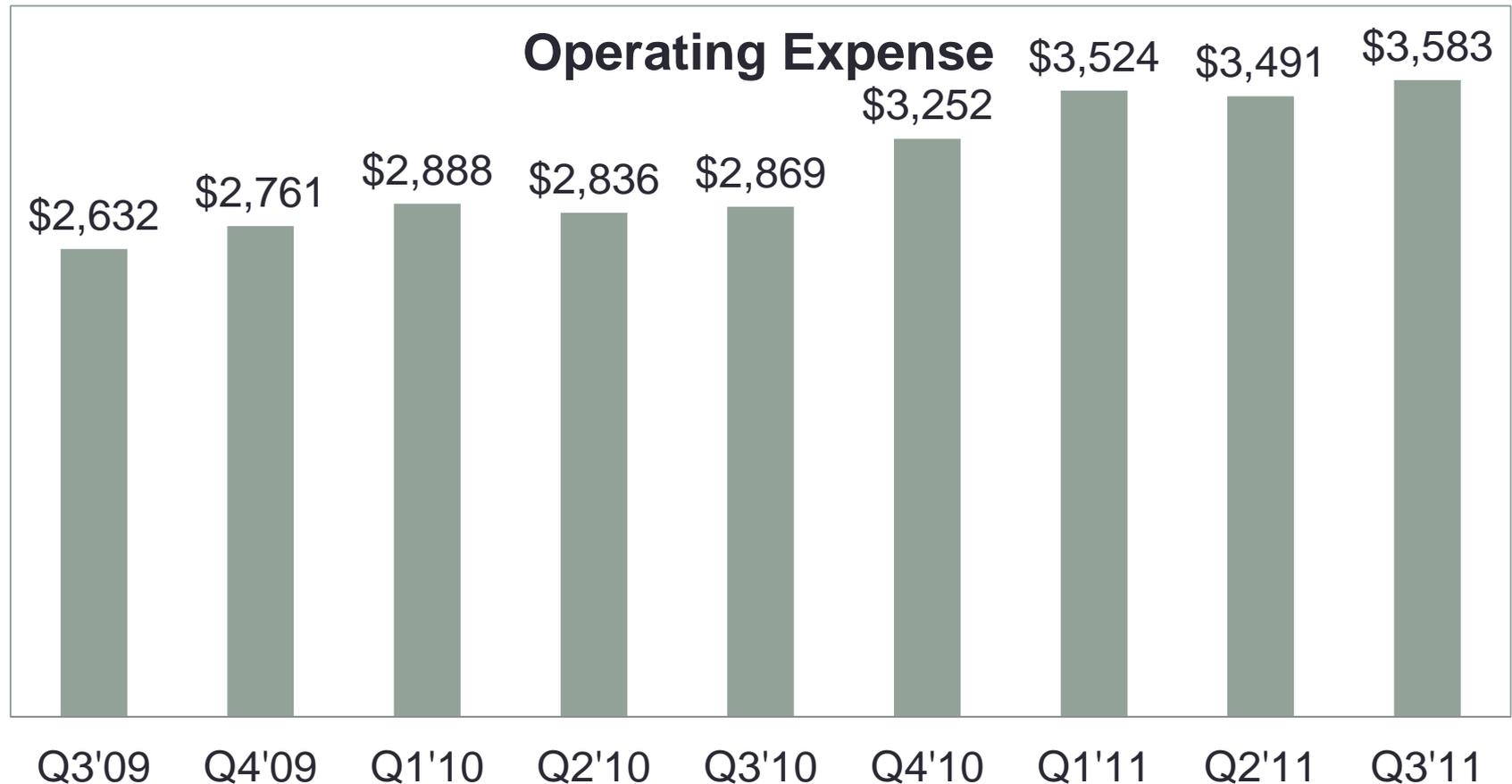
Operating expense decline is driven by:

- Reduction in contract labor associated with the release of the RoadRunner3 and Factory Integration Software
- Completion of TM Capital engagement
- Completion of a development contract with an academic institution in China
- Completion of contract expenses associated with web site development
- Reduction in consulting expenses associated with other development initiatives

Strengthening our leadership

Level	Representative Products	Leading Today	Innovating for Tomorrow
New Business		Software for Intellectual property protection and security	Software definable solutions
Expanded Business		In-line programming Software for programming process control	After-placement programming and test Software for process integration
Existing Business		Production programming Prototype design Engineering first-article qualification	High-density NAND Embedded Flash media Microcontrollers Low-cost programming
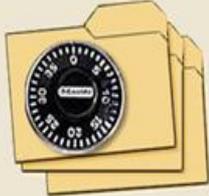
Azido, DAIO's strategic software acquisition

	Software used by engineers to design electronic systems that facilitates reuse and retargeting of system software to new silicon
New Business	The software is a core element of new products for new business and will become a new offering from DAIO
Expanded Business	The software is a core element of new products for the expanded business
Existing Business	Will be used in the development of new products in the existing business and reduce the cost of on-going support

Third quarter accomplishments for the *Azido** software

- Data I/O formally entered the Field Programmable Gate Array (FPGA) ecosystem by becoming a member of National Science Foundation's *Center for High Performance Reconfigurable Computing (CHREC)*

- Data I/O personnel conducted a workshop on the software at a prestigious FPGA conference

- More than a dozen industry luminaries have reviewed and support our software initiative

- Launched a secure website for beta users – approximately 15 users being added each week

- User feedback will be used to identify the most promising vertical application segments to target for the initial product launch

- Identified several federal funding sources for 2012

DAIO's share repurchase program

- The company will repurchase $1M of company stock over the next four quarters

- The plan will result in share repurchases in each of the next four quarters

- Will be implemented through a 10b5-1 plan; purchases will be possible throughout the quarter – no blackout periods

DAIO's financial strategy

Financial Element	Direction	Drivers
Revenue	↗	New products – RoadRunner3, Factory Integration Software, Azido, other new products
Cost of Goods	↘	New technology; new products; use of China subsidiary
Gross Margin	↗	Lower cost of goods and increasing software content
Expenses	→	Continued focus on expense reduction "outside the core"
Operating Income and Cash Flow	↗	Higher revenue and gross margin; lower cost of goods and expenses

Summary

- Data I/O's markets (Smartphones, Tablets, Consumer, and Automotive electronics) continue to drive new demand for programming capacity
- Data I/O serves the global electronics firms that are driving the growth
- The new RoadRunner3 and its Factory Integration Software are world-class solutions to satisfy this demand in electronics manufacturing
- The Factory Integration Software will be available for additional Data I/O products in the fourth quarter
- Data I/O's business initiatives in the existing, expanded and new markets position the firm to deliver sustained growth for several years