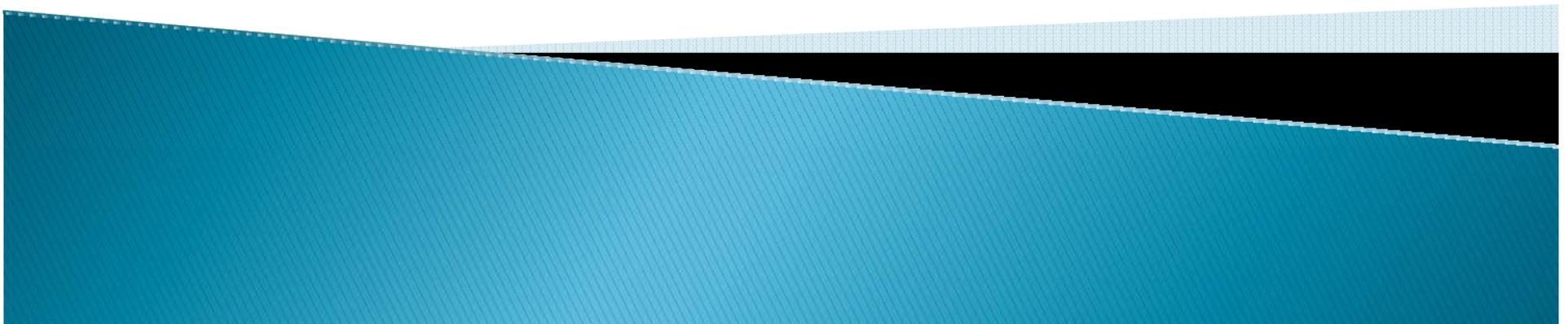


Shareholders' annual meeting & briefing

May 10, 2011

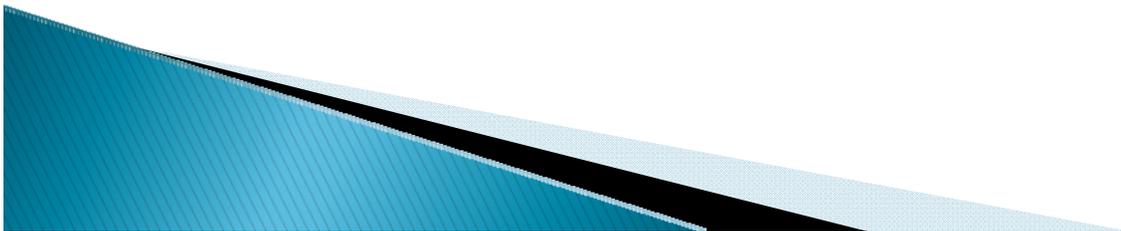
Fred Hume, President & CEO

Joel Hatlen, Vice President & CFO



Agenda

- ▶ Business meeting
- ▶ Management Report to Shareholders

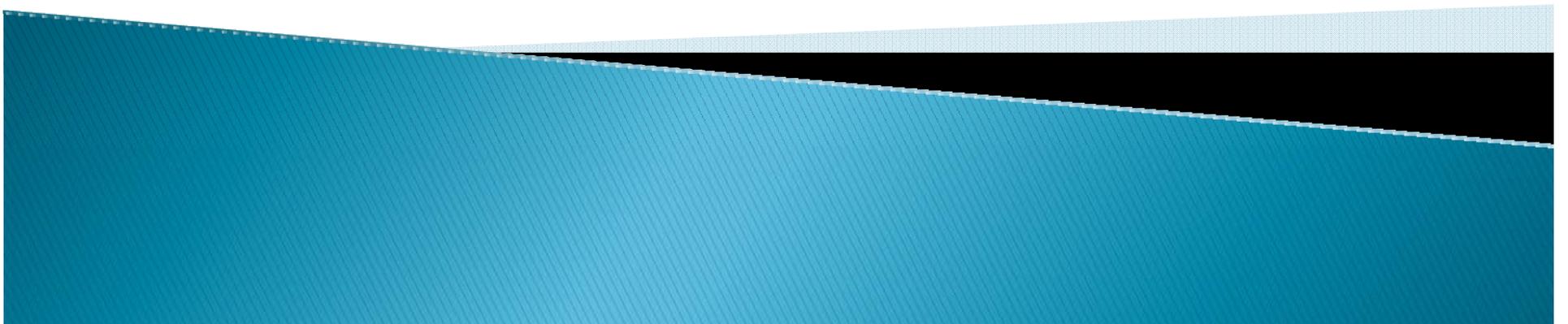


Business meeting

- ▶ Requirements: notice and quorum
- ▶ Matters requiring shareholder approval
- ▶ Voting
- ▶ Introductions
- ▶ Announce results
- ▶ Adjournment

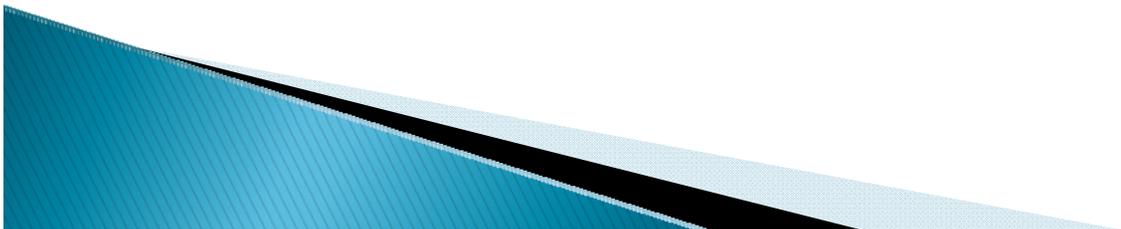
Notice and quorum

Notice has been given as required by law and a quorum is present



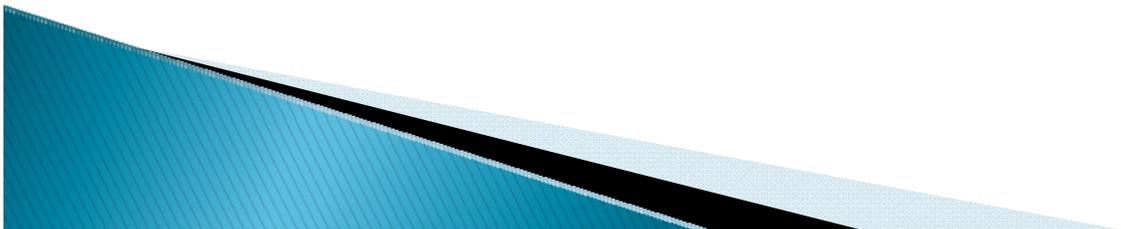
Matters for Shareholder approval

- ▶ Election of Directors for May 2012 – May 2013
- ▶ Amend and restate the Data I/O Corporation 2000 Stock Compensation Incentive Plan (the “2000 Plan”) and to increase the number of shares reserved for issuance by an additional 300,000 shares of common stock
- ▶ Ratification of appointment of Grant Thornton as independent auditors



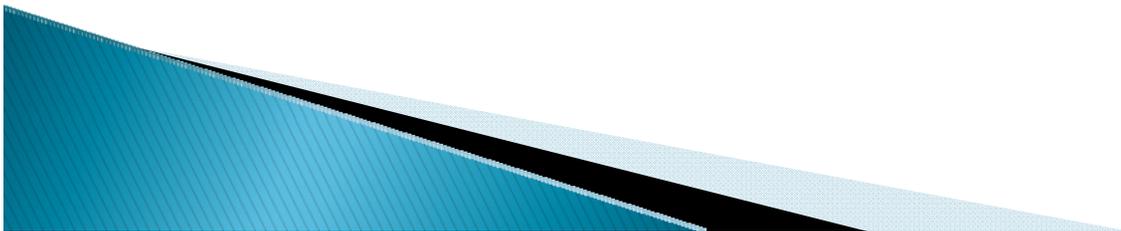
Board of Directors

- ▶ Douglas W. Brown
- ▶ Kenneth B. Myer
- ▶ Frederick R. Hume
- ▶ Steven M. Quist
- ▶ William R. Walker

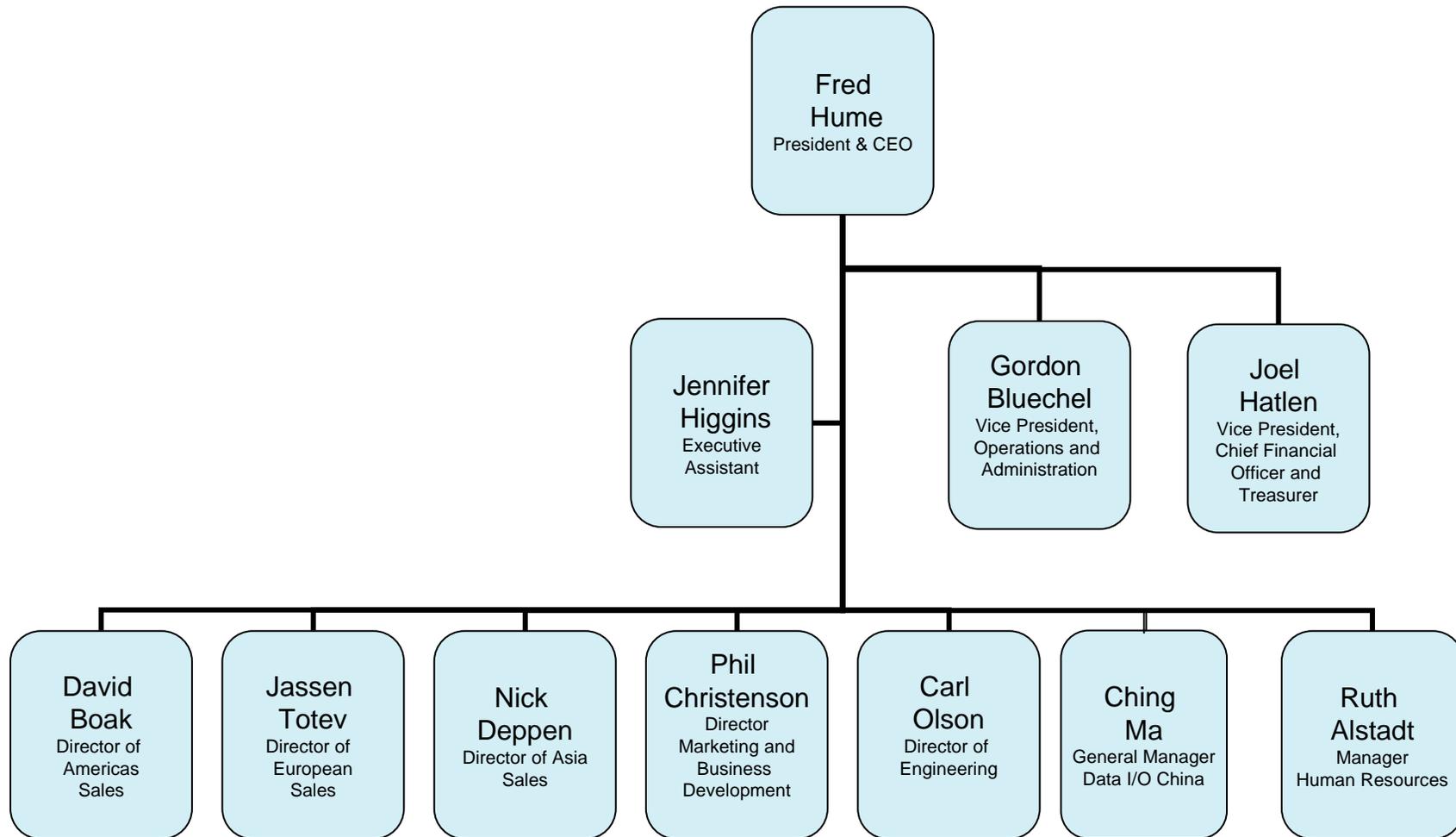


Shareholder Approval

- ▶ Finalize balloting now

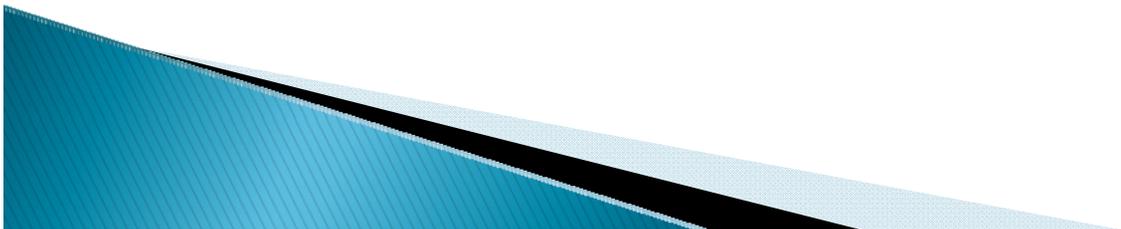


Data I/O's Management Team



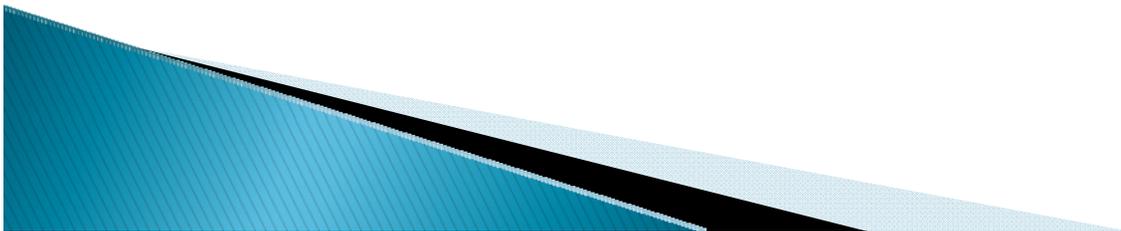
Election results to be reported

- ▶ Directors: Doug Brown, Ken Myer, Fred Hume, Steve Quist and Bill Walker
- ▶ Amendment to Data I/O Corporation's 2000 Stock Compensation Incentive Plan
- ▶ The appointment of Grant Thornton as the company's auditors



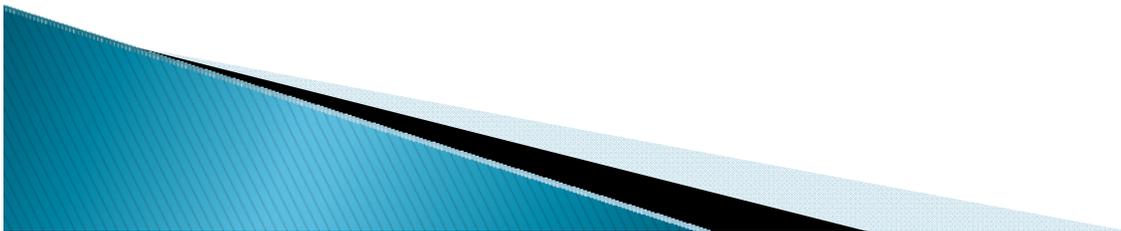
Adjournment

- ▶ The annual business meeting of shareholders is adjourned



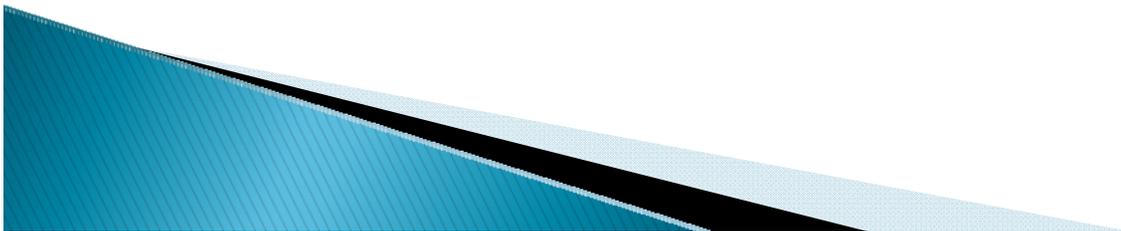
Management report to shareholders

Fred Hume, President & CEO
Joel Hatlen, Vice President & CFO
May 10, 2012



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.”



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	100 employees @ 12/31/11 with 17 in Germany and 26 in China, veteran management team averaging 21 years of relevant industry experience
Financial Overview	FY 2011 Revenue: \$26.7M; Gross Margin: 57.1%; EBITDA – \$2.4M; Recurring revenue – ~40%; Cash: \$12.3M*, no debt
Structure	Founded in 1972; publicly traded NASDAQ: DAIO

*As of 3-31-2012

What we do – solutions for programming semiconductor devices

Device Programming

Device
Level



In-System Programming

Circuit Board
Level



Automatic Test
Equipment



Product
Level



End of Line
Programming



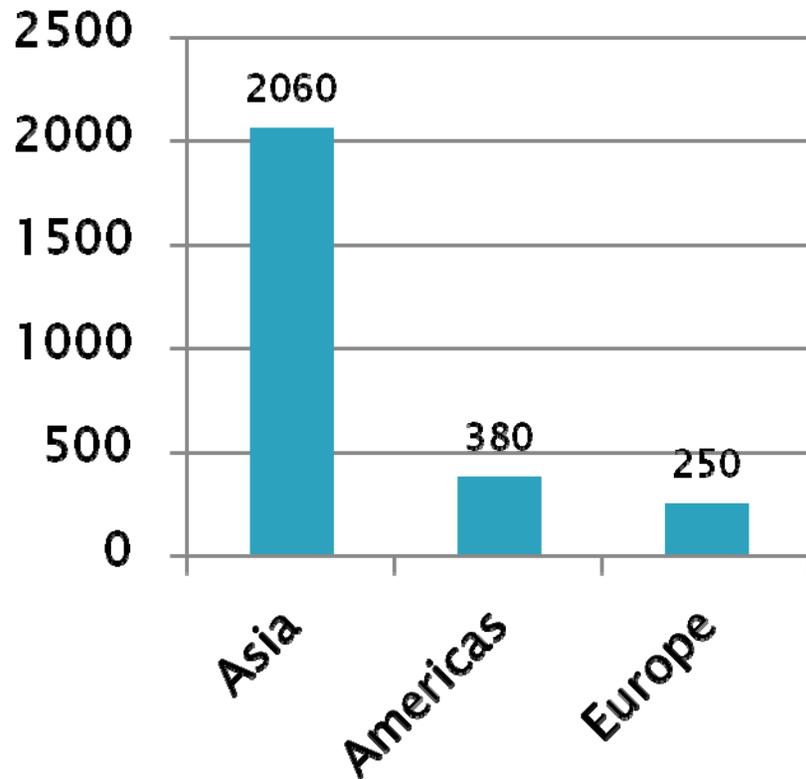
DAIO's Factory Integration Software (FIS)

Customer's Manufacturing Execution Software (MES)

DAIO's world-class customers

Automotive	Consumer & Wireless	Industrial
          	          	            
  	   	 

> 70% of electronics production is now in Asia

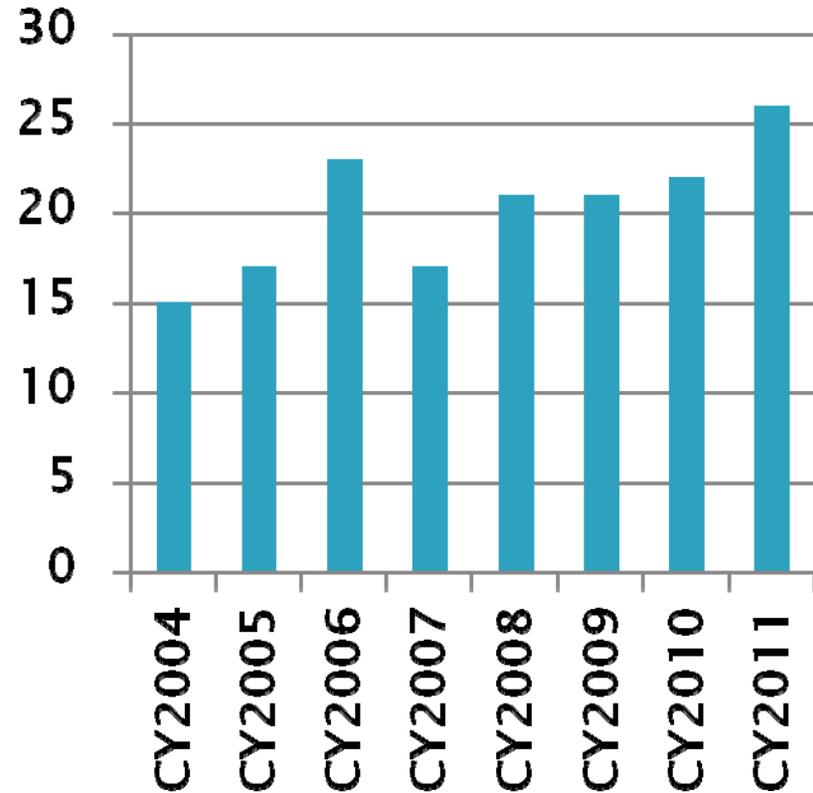
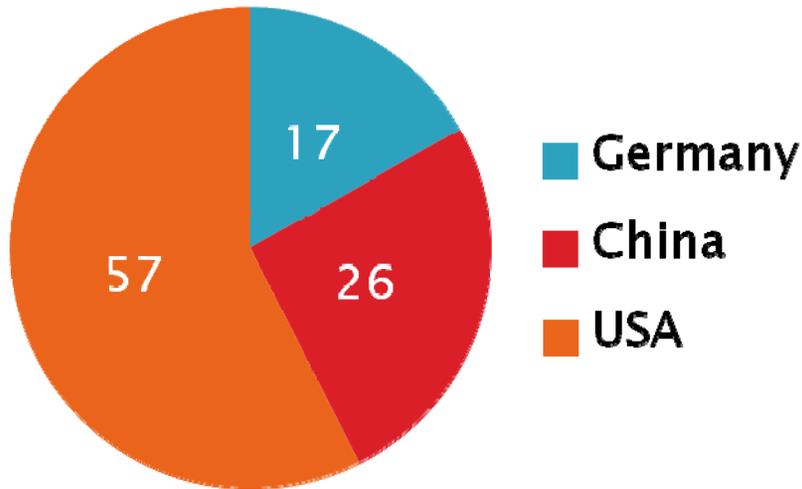


- ▶ The majority of the high volume production lines are in Asia
- ▶ More than half the production lines in Asia are in China
- ▶ FLXHD is targeted at volume programming of eMMC devices in Asia
- ▶ Data I/O China is a key part of our strategy for Asia

Electronics (PCB)
assembly plants

Data I/O's Asian focus

Data I/O's increasing investment in China



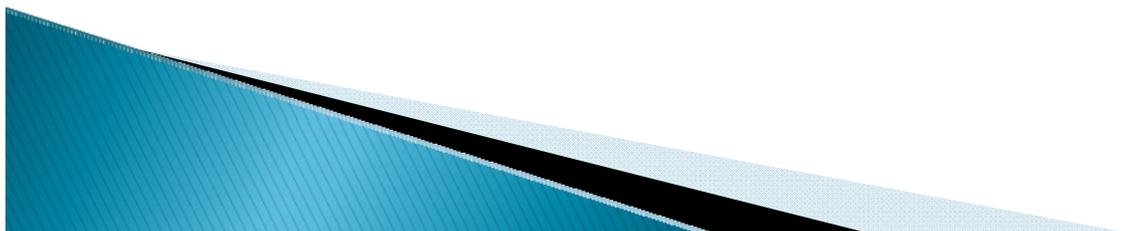
Employment by region

Employment in China

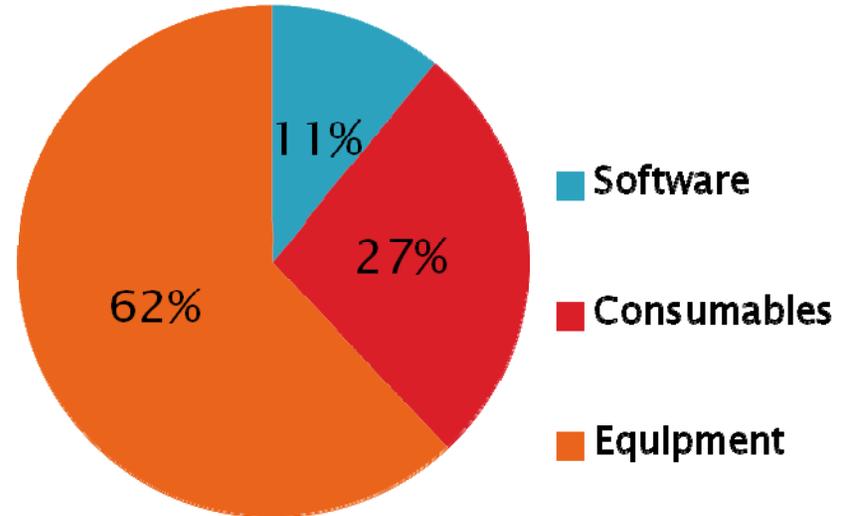
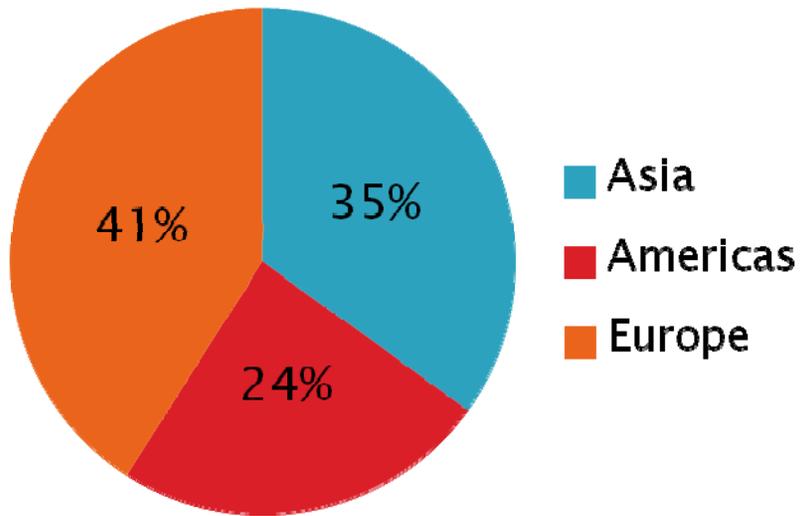
Note: sales functions were outsourced in 2007 to distributors

Data I/O participates in growth markets

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, Amazon, Samsung, Barnes & Noble 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



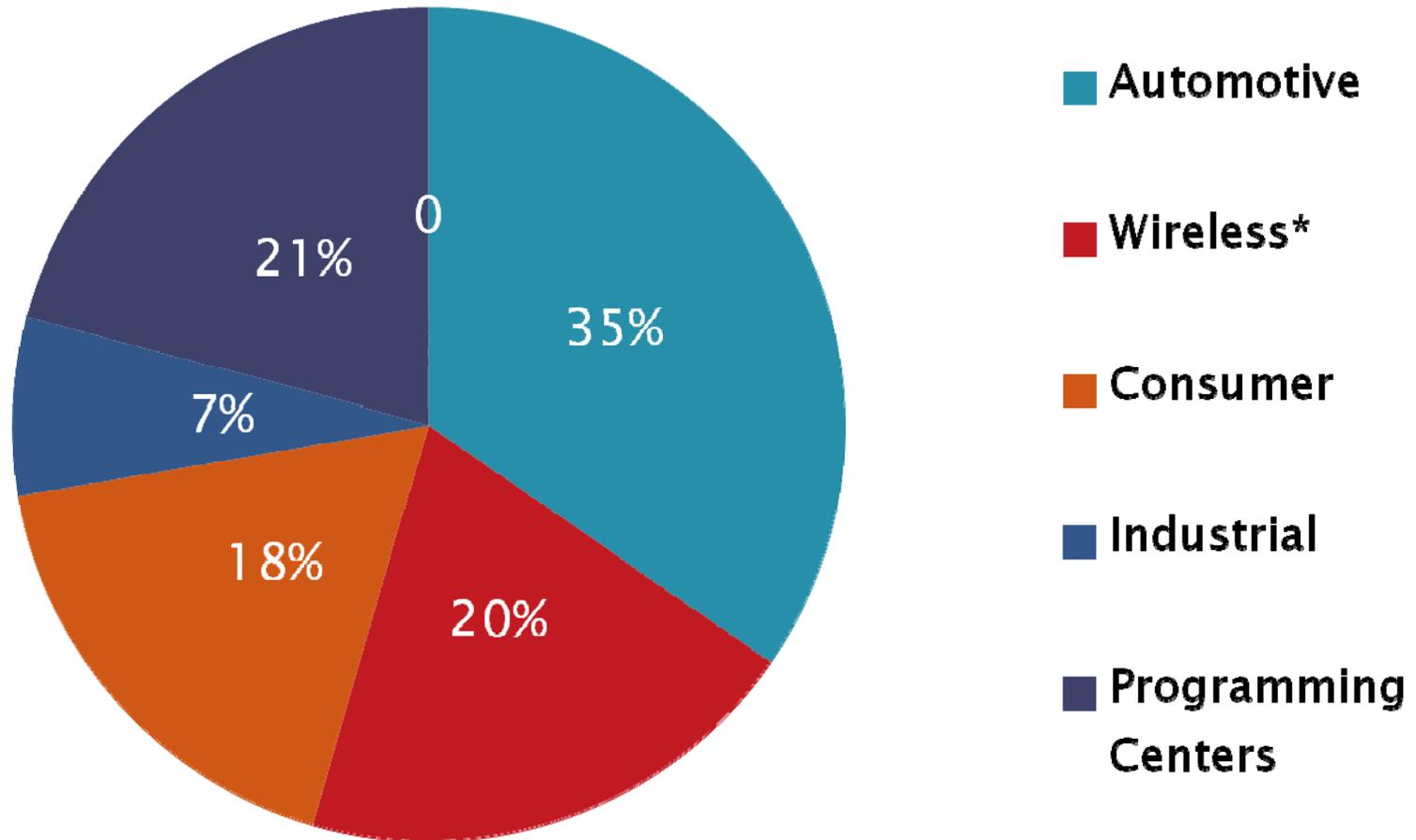
2011 Sales results



Sales by Region

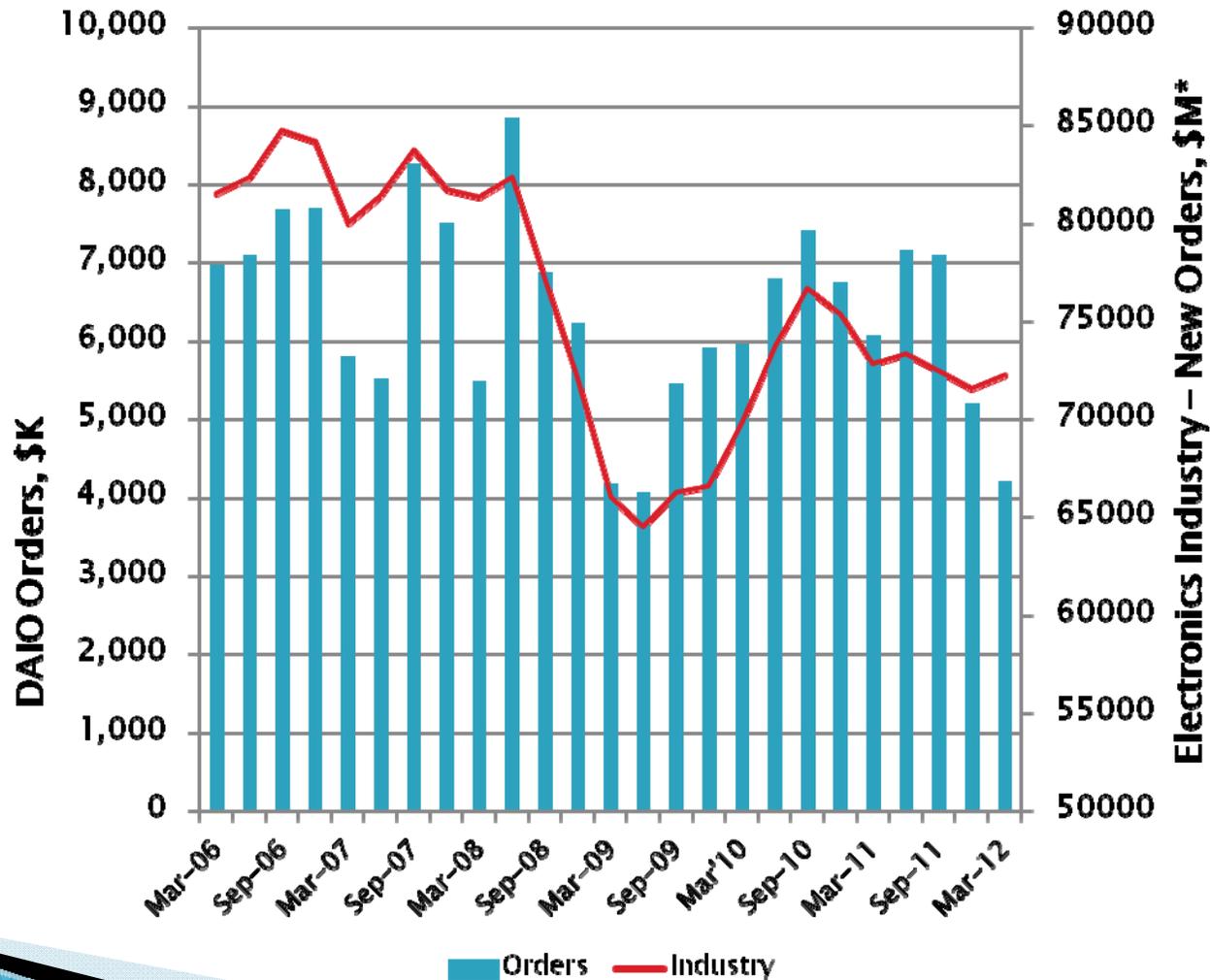
Sales by Category

2011 Automation sales by market segment



*Does not include sales of FlashPak our manual programmer used widely throughout Asia

The recovery from the 2009 downturn stalled in 2011



*Source: Advance Durable Goods - computers & electronic products component

Orders followed a normal pattern in H1 '11 before the industry downturn in H2'11

	Q1	Q2	Q3	Q4	2011	Q1'12
Orders	\$6,098	\$7,257	\$7,061	\$5,128	\$25,544	\$4,241
Revenue	7,043	6,849	7,051	5,723	26,666	3,679
Gross Margin	59.1%	58.5%	55.9%	54.5%	57.1%	52.8%
R&D	1,352	1,276	1,482	1,360	5,470	1,392
SG&A	2,172	2,215	2,101	1,816	8,304	2,250
Operating Expense	3,524	3,491	3,583	3,176	13,774	3,642
Operating Income	640	517	360	-56	1,461	-1,700
Net Income	\$532	\$398	\$130	\$3	\$1,063	-\$1,677

Note: All dollars in thousands



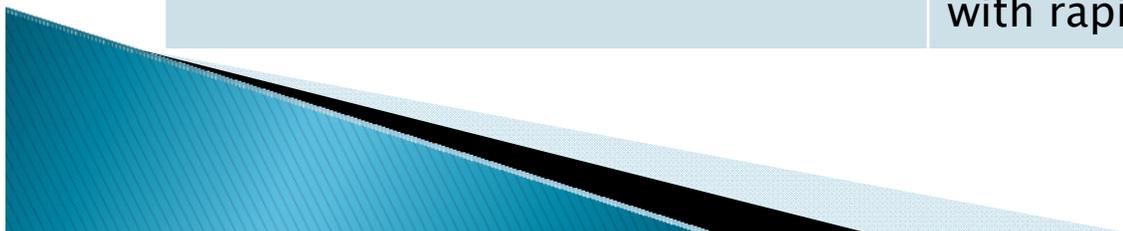
5 quarter balance sheet highlights

	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12
Cash & securities	\$19.0	\$17.0	\$18.4	\$18.1	\$12.3
Acct. receivable	5.5	5.3	4.8	4.4	1.9
Inventory	3.5	3.9	3.8	4.0	4.5
Fixed assets	1.2	1.3	1.2	1.5	1.4
Other	<u>0.6</u>	<u>3.6</u>	<u>3.4</u>	<u>3.3</u>	<u>3.2</u>
Total assets	\$29.8	\$31.1	\$31.6	\$31.3	\$23.3
Current liabilities	3.2	3.0	3.3	3.0	2.9
Deferred revenue	1.6	1.4	1.4	1.5	1.2
LT debt & liabilities	0.2	0.3	0.3	0.3	0.2
Equity	\$24.8	\$26.4	\$26.6	\$26.5	\$19.0

Note: All dollars in millions; \$6M of cash was used in Q1'12 on share repurchase

2011 accomplishments

Accomplishment	Impact
Focused on eMMC devices used in Smartphones, tablets, & e-readers	Drove sales in Asia to a new record in 2011
Introduced Super-boost for FlashCore III	Drove adoption of FlashPak and FLX for eMMC applications – key to the above
Azido technology acquired	Basis of new architecture for next generation programming products
	Basis for what we hope will become a new software business
RoadRunner3 introduced	RoadRunner product line sales now at highest level in three years
Factory Integration Software introduced	Benefits from improved quality and process control is driving adoption of RoadRunner and PS systems at new accounts
FLXHD, new duplication solution for eMMC introduced in Q1 '12	Builds on last year's success with eMMC – provides greater throughput to keep up with rapid adoption of eMMC



For just-in-time programming

Highest levels of
Quality and Process
Control

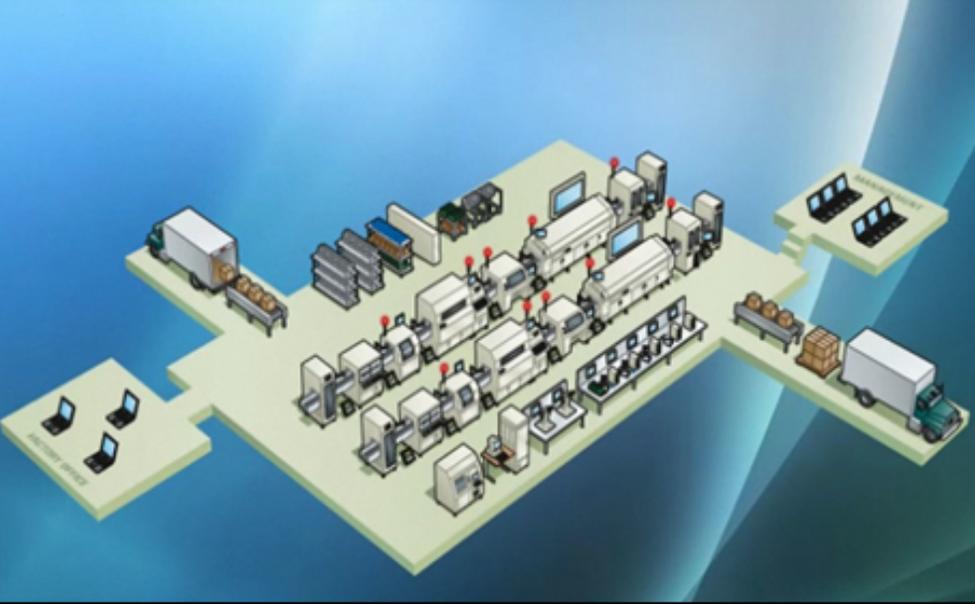


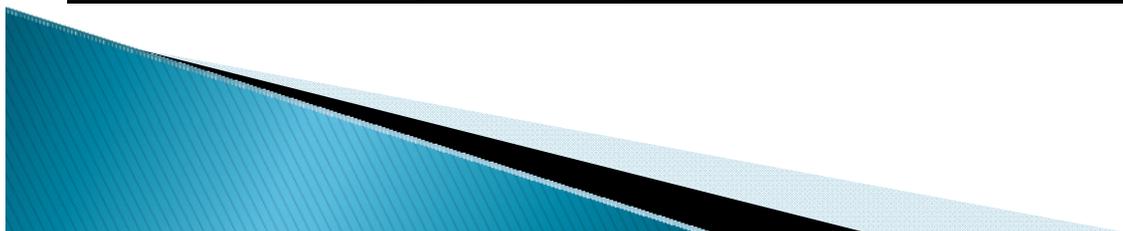
Configurable for
multiple SMT
machines

Comes with
Factory Integration
Software

ROADRUNNER3

RoadRunner3 ensures quality with Factory Integration Software (FIS)

One RoadRunner3	Multiple SMT's	Factory Integration IP Management					Quality Products
		DATA CONTROL	DATA REMOTE	DATA TRACK	DATA PROCESS	DATA SAFE	
 	FUJI						AUTOMOTIVE
	SIPLACE						WIRELESS
	PANASONIC						CONSUMER
	MYDATA						INDUSTRIAL
	OTHER SMT						MEDICAL
						EMS	



Key benefits of Data I/O's Factory Integration Software (FIS) for RoadRunner and PS Systems

- ▶ Reduces the chance of operator error
 - Automates job selection and download
 - Avoids the risk of scrap and rework
 - ▶ Ensures traceability to industry standards
 - ▶ Provides management data for decision-making
 - Tracks yield
 - Archives programming results and data records
 - ▶ Improves productivity through “alerts” by email or SMS
 - ▶ Enables remote monitoring of the process
- 

The Azido technology acquired in 2011 enables IP reuse and hardware portability

- ▶ Algorithms and applications are hardware independent
- ▶ Algorithms and applications can be ported to any hardware configuration
- ▶ System descriptions define hardware configurations
- ▶ Algorithms and applications are reusable



Or any FPGA-board



Hardware independent
application software

Hardware-specific
system descriptions

Applications of Azido technology

- ▶ Used in development of Data I/O's next generation programmer architecture
- ▶ Azido benefits demonstrated at Field-Programmable Custom Computing Machine (FCCM) symposium last week in Toronto by Virginia Tech
 - Attended by leading RC researchers from Microsoft Research, Agilent, Cypress, Rochester Inst. of Tech., Lawrence Livermore National Lab, NVIDIA, U of Toronto, UW, Google, MIT, N. Carolina, FSU, UF, BYU, U of Arkansas, UPenn, U of C, Altera, etc.
- ▶ Some of these attendees will be using Azido in the coming months
- ▶ Used by Data I/O to fulfill development contracts with revenue starting in Q2'12



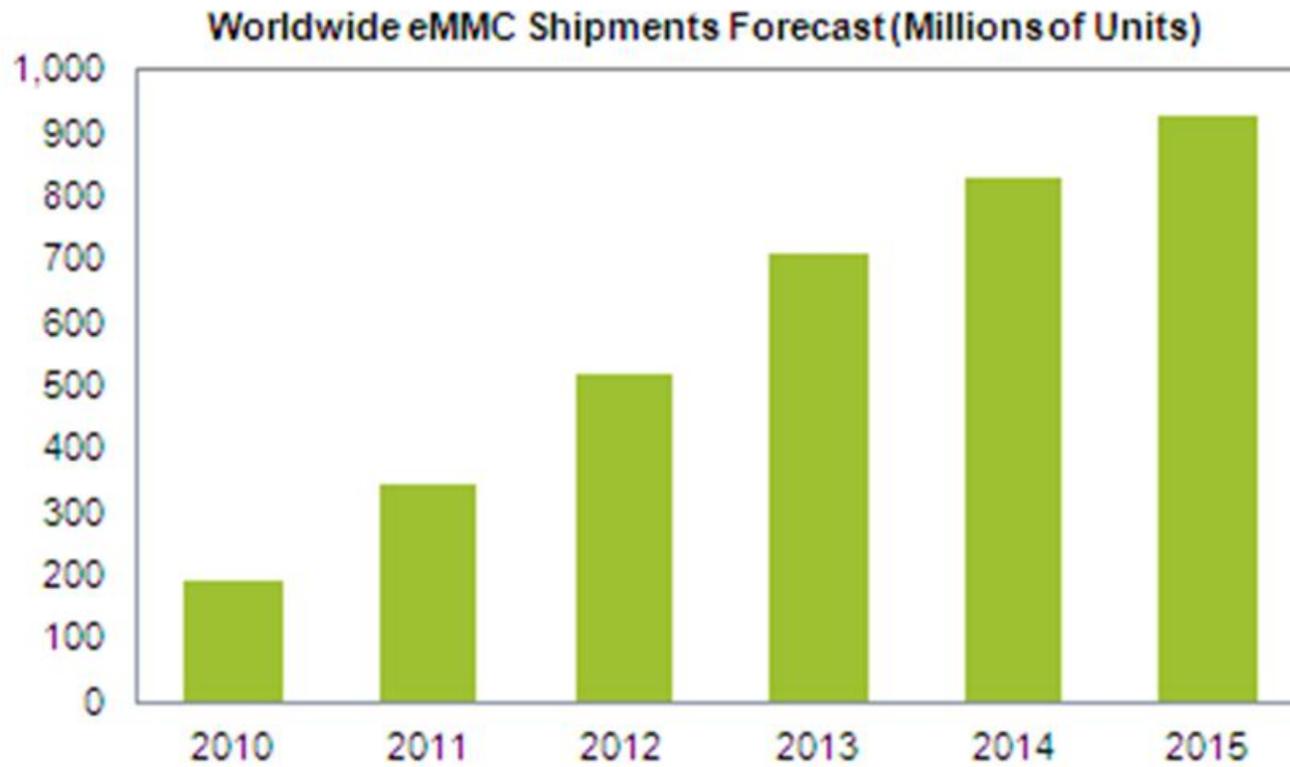
FLXHD for Flash Media Duplication



- ▶ Duplicates up to 32GB eMMC and 64GB SD
- ▶ Provides 40 duplication sites for high throughput
- ▶ Speeds to 22MB/s
- ▶ A very attractive price/performance ratio ~30% below competitive offerings

Key features

eMMC will be a growth opportunity for several years

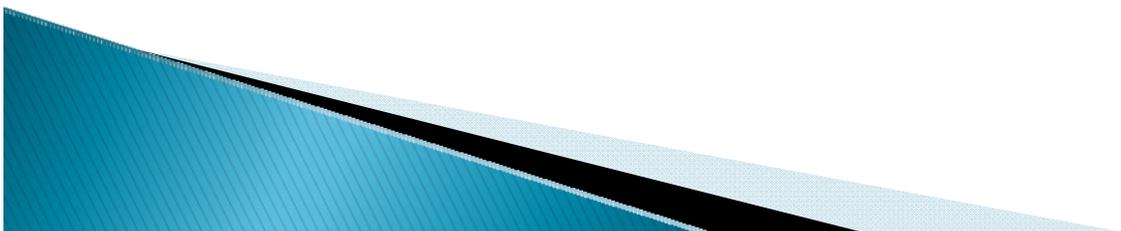


Source: IHS iSuppli Research, March 2012

70% of Smartphones are expected to use eMMC by the end of 2012

Industry executives remain cautious on the outlook for capital equipment spending

- ▶ Cognex – “Continued year-on-year growth in revenue from the factory automation and surface inspection markets is expected to be offset by significantly lower revenue from the semiconductor, electronics and solar industries due to a market downturn that began in mid-2011.”
- ▶ AXT – “The first quarter was a somewhat mixed quarter for AXT,” said Morris Young, chief executive officer. “After a difficult start to the year, the demand environment in March showed steady improvement and appears to be holding as we move into the second quarter.”



VLSI Research predicts an industry recovery beginning in Q2'12*

	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	2011	2012
Electronics Production, \$B	\$471.9	\$426.0	\$460.2	\$499.5	\$546.1	\$1,834	\$1,932
Sequential change		-9.7%	8.0%	8.5%	9.3%		5.3%
Semiconductor Sales, \$B	\$60.6	\$58.4	\$63.1	\$69.1	\$72.5	\$252.4	\$263.1
Sequential change		-3.7%	8.1%	9.6%	4.9%		4.3%
Semiconductor Sales, BU	46.7	45.9	49.9	54.5	56.5	193.8	206.8
Sequential change		-1.5%	8.7%	9.1%	3.7%		6.7%

*Source: VLSI Current Forecast, 3/15/12



Data I/O business outlook, Q2 and beyond

- ▶ We are experiencing a “V” shaped recovery from the drop in H2’11 & Q1’12 consistent with VLSI’s forecast driven primarily by:
 - Capital spending for new projects in existing accounts
 - Capital spending in new accounts, particularly in growing markets
- ▶ Capacity utilization is lagging but we believe it will rebound later in the cycle and drive additional spending
- ▶ The new products introduced over the past three quarters are a significant factor in the upturn

