



Dear Data I/O Shareholder:

April 2, 2021

We just completed one of the most unique and challenging years in our nearly 50-year history at Data I/O. In 2020, we had to react suddenly to the global COVID-19 pandemic. COVID-19 impacted all aspects of our business, from customer demand, supply chain integrity, employee safety, business processes, and financial management. As a global company, we had to manage each of these while working within the guidelines of local and national policy in the USA, China and Germany.

Our philosophy at the start of the outbreak was simple. First, we must keep our people and their families safe. Second, we must keep our facilities safe and operational while we serve our customers as an essential business. Finally, we must preserve cash, both as a buffer for the duration of the downturn and for fueling the eventual rebound.

We managed this challenge successfully to date, with no known employee transmissions in the workplace, and preservation of our working capital throughout the year. Senior Management and Directors took a 20% pay reduction for two quarters along with other cost containment measures to preserve our cash. Our resilient supply chain model kept our facilities open and serving customers globally. We supported customers rapidly transitioning to producing medical devices. We did this while facing unique international travel restrictions, shipping delays, and the inability to meet with customers in person. We also discovered several interesting opportunities to re-engineer some business practices to become more effective and efficient in the years to come.

We would like to express our gratification for the health of our staff, our customers, our partners and their families, as we recognize the sacrifices made by health care professionals and first responders around the world. The entire global team at Data I/O has been truly remarkable and we personally commend them for a job well done.

In 2020, we continued our R&D innovations across multiple products, completing many advancements for our PSV family of products and extending our lead in the automotive electronics programming industry. We also made fundamental progress on our SentiX® platform with the introduction of our next generation SentiX system architecture and the SentiX Product Creator™ tool. The next generation SentiX system simplifies end-to-end the provisioning and deployment of robust IoT and automotive security and enables an outsourced as-a-Service business model. SentiX Product Creator is a powerful software suite that enables OEMs to securely, quickly and easily define the security deployment for their products and to securely deliver their product security definitions and secrets to SentiX-enabled production facilities remotely. These innovations are allowing us to “Simplify and Scale” our security business. With this release, we now have developed and control the critical Intellectual Property for security provisioning within SentiX.

We also innovated for our automotive customers. We support the latest UFS memory products for the infotainment market. We also continue to win new customers in the rapidly growing EV market, while extending our geographical reach as the automotive industry grows in new countries and markets worldwide. Industry analysts are forecasting a 10-15% compounded annual growth rate for automotive electronics over the next decade.

As a Data I/O shareholder, you are investing first and foremost in a resilient organization that is well capitalized and accustomed to rapid change and cyclicity. In 2021 we plan to transition from the depths of COVID-19 to robust multi-year growth led by our automotive business worldwide.

We appreciate your continued support of Data I/O.

Sincerely,

Anthony Ambrose, CEO

Alan Howe, Chair

Postscript from Data I/O CEO Anthony Ambrose:

As Data I/O moves closer to realizing its next phase of growth, we recognize Alan Howe, my co-author of this letter, who will not seek election for another term on the Board of Directors and will be stepping down as our Chair at our 2021 annual shareholder meeting. On behalf of all shareholders, I would like to thank Alan for his eight years of board service and wish him well in his future endeavors.