



April 3, 2023

Dear Data I/O Shareholder:

2022 was the tale of two seasons. In the first half of 2022, the war in Ukraine, lockdown of our Shanghai facility, chip shortages, interest rate hikes, and associated strengthening of the US dollar negatively impacted our business. These challenges were mitigated by our resilient supply chain strategy, strong working capital base and the talent and commitment of the Data I/O team worldwide. In the second half of 2022, we resumed full production and grew our business as inflation, chip shortages and the strength of the US dollar moderated. We increased our bookings by over \$1M from the prior year, and entered 2023 with near record backlog. Despite all of the challenges, we won 21 new customers and developed a strong sales pipeline.

Inflation, shortages and lockdowns all forced a more defensive posture in 2022. In 2023, we plan to play offense. In our core data programming business, we will continue to focus on automotive electronics as our primary market, with industrial and IoT a close second. Automotive electronics semiconductor demand, driven by electrification, active safety/ADAS, infotainment applications with embedded security and connectivity is forecast to grow 10-15% annually over the next decade. As the global leader in automotive programming, we are well-positioned to take advantage of this underlying growth. Leading industrial and IoT customers are growing their digital capabilities, automating factories, and developing a new generation of more secure platforms across a broad range of markets and applications. With our SentiX<sup>®</sup> security deployment platform, we have a unique and patent protected opportunity to create additional value and recurring revenue streams in these markets. As we have seen in recent trade show activity, the world is ready for a new set of designs in automotive, industrial and IoT markets. Data I/O is ready to support these customers.

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 cyclical. We plan to continue our strategy of investments in R&D as well as security deployment patents to lead the industry. We plan to maintain our strong financial position and look for new ways to accelerate growth in our target markets.

We appreciate your continued support of Data I/O.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony Ambrose".

Anthony Ambrose, CEO

A handwritten signature in black ink, appearing to read "Douglas Brown".

Douglas Brown, Chair