

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2024**

Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **0-10394**

DATA I/O CORPORATION

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of incorporation or organization)

91-0864123

(I.R.S. Employer Identification No.)

6645 185th Ave NE, Suite 100, Redmond, Washington, 98052

425-881-6444

(Address of principal executive offices, including zip code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	DAIO	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☒

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Shares of Common Stock, no par value, outstanding as of October 31, 2024: 9,236,019

DATA I/O CORPORATION
FORM 10-Q
For the Quarter Ended September 30, 2024

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(UNAUDITED)

	September 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,372	\$ 12,341
Trade accounts receivable, net of allowance for credit losses of \$20 and \$72, respectively	2,607	5,707
Inventories	6,627	5,875
Other current assets	554	690
TOTAL CURRENT ASSETS	22,160	24,613
Property, plant and equipment – net	928	1,359
Other assets	1,755	1,429
TOTAL ASSETS	\$ 24,843	\$ 27,401
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 895	\$ 1,272
Accrued compensation	1,021	2,003
Deferred revenue	1,280	1,362
Other accrued liabilities	1,302	1,438
Income taxes payable	48	113
TOTAL CURRENT LIABILITIES	4,546	6,188
Operating lease liabilities	886	702
Long-term other payables	222	192
COMMITMENTS	-	-
STOCKHOLDERS' EQUITY		
Preferred stock -		
Authorized, 5,000,000 shares, including 200,000 shares of Series A Junior Participating		
Issued and outstanding, none	-	-
Common stock, at stated value -		
Authorized, 30,000,000 shares		
Issued and outstanding, 9,236,019 shares as of September 30, 2024 and 9,020,819 shares as of December 31, 2023	23,482	22,731
Accumulated earnings (deficit)	(4,556)	(2,645)
Accumulated other comprehensive income	263	233
TOTAL STOCKHOLDERS' EQUITY	19,189	20,319
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 24,843	\$ 27,401

See notes to consolidated financial statements

DATA I/O CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 5,423	\$ 6,561	\$ 16,584	\$ 21,190
Cost of goods sold	2,499	3,041	7,684	8,995
Gross margin	2,924	3,520	8,900	12,195
Operating expenses:				
Research and development	1,544	1,577	4,539	4,922
Selling, general and administrative	1,705	2,006	6,112	7,003
Total operating expenses	3,249	3,583	10,651	11,925
Operating income (loss)	(325)	(63)	(1,751)	270
Non-operating income (loss):				
Interest income	71	41	224	125
Foreign currency transaction gain (loss)	(53)	(15)	9	107
Total non-operating income (loss)	18	26	233	232
Income (loss) before income taxes	(307)	(37)	(1,518)	502
Income tax (expense) benefit	-	(16)	(393)	(160)
Net income (loss)	\$ (307)	\$ (53)	\$ (1,911)	\$ 342
Basic earnings (loss) per share	\$ (0.03)	\$ (0.01)	\$ (0.21)	\$ 0.04
Diluted earnings (loss) per share	\$ (0.03)	\$ (0.01)	\$ (0.21)	\$ 0.04
Weighted-average basic shares	9,235	9,020	9,121	8,914
Weighted-average diluted shares	9,235	9,020	9,121	9,065

See notes to consolidated financial statements

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DATA I/O CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (307)	\$ (53)	\$ (1,911)	\$ 342
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	268	(130)	30	(415)
Comprehensive income (loss)	<u>\$ (39)</u>	<u>\$ (183)</u>	<u>\$ (1,881)</u>	<u>\$ (73)</u>

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DATA I/O CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(UNAUDITED)

	Common Stock		Retained Earnings (Deficit)	Accumulated and Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2022	<u>8,816,381</u>	<u>\$ 21,897</u>	<u>\$ (3,131)</u>	<u>\$ 343</u>	<u>\$ 19,109</u>
Stock awards issued, net of tax withholding	-	-	-	-	-
Issuance of stock through: ESPP	1,695	7	-	-	7
Share-based compensation	-	249	-	-	249
Net income (loss)	-	-	95	-	95
Other comprehensive income (loss)	-	-	-	65	65
Balance at March 31, 2023	<u>8,818,076</u>	<u>22,153</u>	<u>(3,036)</u>	<u>408</u>	<u>19,525</u>
Stock awards issued, net of tax withholding	200,799	(368)	-	-	(368)
Issuance of stock through: ESPP	-	-	-	-	-
Share-based compensation	-	380	-	-	380
Net income (loss)	-	-	300	-	300
Other comprehensive income (loss)	-	-	-	(350)	(350)
Balance at June 30, 2023	<u>9,018,875</u>	<u>22,165</u>	<u>(2,736)</u>	<u>58</u>	<u>19,487</u>
Stock awards issued, net of tax withholding	352	(1)	-	-	(1)
Issuance of stock through: ESPP	1,571	7	-	-	7
Share-based compensation	-	300	-	-	300
Net income (loss)	-	-	(53)	-	(53)
Other comprehensive income (loss)	-	-	-	(130)	(130)
Balance at September 30, 2023	<u>9,020,798</u>	<u>\$ 22,471</u>	<u>\$ (2,789)</u>	<u>\$ (72)</u>	<u>\$ 19,610</u>
Balance at December 31, 2023	<u>9,020,819</u>	<u>\$ 22,731</u>	<u>\$ (2,645)</u>	<u>\$ 233</u>	<u>\$ 20,319</u>
Stock awards issued, net of tax withholding	1,759	-	-	-	-
Issuance of stock through: ESPP	2,381	7	-	-	7
Share-based compensation	-	281	-	-	281
Net income (loss)	-	-	(807)	-	(807)
Other comprehensive income (loss)	-	-	-	(168)	(168)
Balance at March 31, 2024	<u>9,024,959</u>	<u>23,019</u>	<u>(3,452)</u>	<u>65</u>	<u>19,632</u>
Stock awards issued, net of tax withholding	194,879	(229)	-	-	(229)
Issuance of stock through: ESPP	-	-	-	-	-
Share-based compensation	-	382	-	-	382
Net income (loss)	-	-	(797)	-	(797)
Other comprehensive income (loss)	-	-	-	(70)	(70)
Balance at June 30, 2024	<u>9,219,838</u>	<u>23,172</u>	<u>(4,249)</u>	<u>(5)</u>	<u>18,918</u>
Stock awards issued, net of tax withholding	13,543	-	-	-	-
Issuance of stock through: ESPP	2,638	6	-	-	6
Share-based compensation	-	304	-	-	304
Net income (loss)	-	-	(307)	-	(307)
Other comprehensive income (loss)	-	-	-	268	268
Balance at September 30, 2024	<u>9,236,019</u>	<u>\$ 23,482</u>	<u>\$ (4,556)</u>	<u>\$ 263</u>	<u>\$ 19,189</u>

See notes to consolidated financial statements

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DATA I/O CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (1,911)	\$ 342
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	451	468
Equipment transferred to cost of goods sold	259	139
Share-based compensation	967	929
Net change in:		
Trade accounts receivable	3,119	25
Inventories	(704)	241
Other current assets	140	35
Accounts payable and accrued liabilities	(1,582)	(329)
Deferred revenue	(68)	(318)
Other long-term liabilities	184	(515)
Deposits and other long-term assets	(300)	444
Net cash provided by (used in) operating activities	555	1,461
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(279)	(490)
Cash provided by (used in) investing activities	(279)	(490)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock, less payments for shares withheld to cover tax	(216)	(354)
Cash provided by (used in) financing activities	(216)	(354)
Increase (decrease) in cash and cash equivalents	60	617
Effects of exchange rate changes on cash	(29)	(260)
Cash and cash equivalents at beginning of period	12,341	11,510
Cash and cash equivalents at end of period	<u>\$ 12,372</u>	<u>\$ 11,867</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 458	\$ 189

See notes to consolidated financial statements

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DATA I/O CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Data I/O Corporation ("Data I/O", "We", "Our", "Us") is a global market leader for advanced programming, security deployment, security provisioning and associated Intellectual Property ("IP") protection and management solutions used in electronics manufacturing with flash memory, microcontrollers, and flash memory-based intelligent devices as well as secure element devices, authentication devices and secure microcontrollers. Customers for our programming system products are located around the world, primarily in Asia, Europe and the Americas. Our manufacturing operations are currently located in Redmond, Washington, United States and Shanghai, China.

We prepared the financial statements as of September 30, 2024 and September 30, 2023 according to the rules and regulations of the Securities and Exchange Commission ("SEC"). These statements are unaudited but, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the results for the periods presented. The balance sheet as of December 31, 2023 has been derived from the audited financial statements at that date. We have condensed or omitted certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America according to such SEC rules and regulations. Operating results for the nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

Significant Accounting Policies

These financial statements should be read in conjunction with the annual audited financial statements and the accompanying notes included in our Form 10-K for the year ended December 31, 2023 (filed with the SEC on March 27, 2024). There have been no changes to our significant accounting policies described in the Annual Report that have had a material impact on our unaudited condensed consolidated financial statements and related notes.

Revenue Recognition

Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (ASC 606) provides a single, principles-based, five-step model to be applied to all contracts with customers. It generally provides for the recognition of revenue in an amount that reflects the consideration to which the Company expects to be entitled, net of allowances for estimated returns, discounts or sales incentives, as well as taxes collected from customers when control over the promised goods or services are transferred to the customer.

We expense contract acquisition costs, primarily sales commissions, for contracts with terms of one year or less and will capitalize and amortize incremental costs with terms that exceed one year. During the third quarter of 2024 and 2023, the impact of capitalization of incremental costs for obtaining contracts was immaterial. We exclude sales, use, value added, some excise taxes and other similar taxes from the measurement of the transaction price.

We recognize revenue upon transfer of control of the promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We have determined that our programming equipment has reached a point of maturity and stability such that product acceptance can be assured by testing at the factory prior to shipment and that the installation meets the criteria to be a separate performance obligation. These systems are standard products with published product specifications and are configurable with standard options. The evidence that these systems could be deemed as accepted was based upon having standardized factory production of the units, results from batteries of tests of product performance to our published specifications, quality inspections and installation standardization, as well as past product operation validation with the customer and the history provided by our installed base of products upon which the current versions were based.

The revenue related to products requiring installation that is perfunctory is recognized upon transfer of control of the product to customers, which generally is at the time of shipment. Installation that is considered perfunctory includes any installation that is expected to be performed by other parties, such as distributors, other vendors, or the customers themselves. This analysis considers the complexity, skill and training needed and customer installation expectations.

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We enter into arrangements with multiple performance obligations that arise during the sale of a system that could include hardware, software, installation, services and support and extended maintenance components. We allocate the transaction price of each element based on relative selling price. Relative selling price is based on the selling price of the standalone system. Installation, services and support costs are based on the discount given to distributors who perform these services. For software maintenance performance obligations, we use the charge for annual software maintenance renewals after the expiration of the initial warranty coverage. Revenue is recognized on the system based on shipping terms, software based on delivery, installation and services based on completion of work, and software maintenance and extended warranty support ratably over the term of the agreement, typically one year. Total deferred revenue which represents undelivered performance obligations for installation, service, support and extended contracts was \$1.5 million and \$1.5 million for September 30, 2024 and 2023, respectively, and the portion expected to be recognized within one year was \$1.3 million and \$1.3 million for September 30, 2024 and 2023, respectively.

When we license software separately, we recognize revenue upon the transfer of control of the software, which is generally upon shipment, provided that only inconsequential performance obligations remain on our part and substantive acceptance conditions, if any, have been met.

We recognize revenue when there is an approved contract that both parties are committed to perform, both parties' rights have been identified, the contract has substance, collection of substantially all the consideration is probable, the transaction price has been determined and allocated over the performance obligations, the performance obligations including substantive acceptance conditions, if any, in the contract have been met, the obligation is not contingent on resale of the product, the buyer's obligation would not be changed in the event of theft, physical destruction or damage to the product, the buyer acquiring the product for resale has economic substance apart from us and we do not have significant obligations for future performance to directly bring about the resale of the product by the buyer. We establish a reserve for sales returns based on historical trends in product returns and estimates for new items. Payment terms are generally 30 to 60 days from shipment.

We transfer certain products out of service from their internal use and make them available for sale. The products transferred are typically our standard products in one of the following areas: service loaners, rental or test units; engineering test units; or sales demonstration equipment. Once transferred, the equipment is sold by our regular sales channels as used equipment inventory. These product units often involve refurbishing and are sold in our normal and ordinary course of business with standard warranty coverage. The transfer amount is the product unit's net book value, and the sale transaction is accounted for as revenue and cost of goods sold.

The following table represents our revenues by major categories:

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
Net sales by type (in thousands)						
Equipment	\$ 2,509	(34.3%)	\$ 3,820	\$ 8,228	(33.8%)	\$ 12,428
Adapter	2,005	10.6%	1,813	5,667	(6.5%)	6,059
Software and Maintenance	909	(2.0%)	928	2,689	(0.5%)	2,703
Total	<u>\$ 5,423</u>	<u>(17.3%)</u>	<u>\$ 6,561</u>	<u>\$ 16,584</u>	<u>(21.7%)</u>	<u>\$ 21,190</u>

Share-Based Compensation

All stock-based compensation awards are measured based on estimated fair values on the date of grant and recognized as compensation expense on the straight-line method. Our share-based compensation is reduced for estimated forfeitures at the time of grant and revised as necessary in subsequent periods if actual forfeitures differ from those estimates.

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Income Tax

Income taxes for U.S. and foreign subsidiary operations are computed at current enacted tax rates, less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, and any changes in the valuation allowance caused by a change in judgment about the realization of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

New Accounting Pronouncements – Standards Issued and Not Yet Implemented

For the nine months ended September 30, 2024, there were no recently issued accounting pronouncements that had a material impact to Data I/O Corporation's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for our annual periods beginning January 1, 2024, and for interim periods beginning January 1, 2025, with early adoption permitted. We are currently evaluating the potential effect that the updated standard will have on our financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for our annual periods beginning January 1, 2025, with early adoption permitted. We are currently evaluating the potential effect that the updated standard will have on our financial statement disclosures.

NOTE 2 – INVENTORIES

Inventories consisted of the following components:

	September 30, 2024	December 31, 2023
(in thousands)		
Raw material	\$ 3,490	\$ 3,328
Work-in-process	2,083	1,596
Finished goods	1,054	951
Inventories	<u>\$ 6,627</u>	<u>\$ 5,875</u>

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT, NET

Property and equipment consisted of the following components:

	September 30, 2024	December 31, 2023
(in thousands)		
Leasehold improvements	\$ 398	\$ 394
Equipment	4,843	4,977
Sales demonstration equipment	923	1,396
	6,164	6,767
Less accumulated depreciation	5,236	5,408
Property and equipment, net	<u>\$ 928</u>	<u>\$ 1,359</u>

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NOTE 4 – OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following components:

	September 30, 2024	December 31, 2023
(in thousands)		
Lease liability - short term	\$ 779	\$ 798
Product warranty	356	449
Sales return reserve	32	32
Other taxes	31	69
Other	104	90
Other accrued liabilities	<u>\$ 1,302</u>	<u>\$ 1,438</u>

The changes in our product warranty liability for the nine months ending September 30, 2024, and year ending December 31, 2023, are as follows:

	September 30, 2024	December 31, 2023
(in thousands)		
Liability, beginning balance	\$ 449	\$ 425
Net expenses	604	902
Warranty claims	(604)	(902)
Accrual revisions	(93)	24
Liability, ending balance	<u>\$ 356</u>	<u>\$ 449</u>

NOTE 5 – OPERATING LEASE COMMITMENTS

Commitments under non-cancelable operating leases and other agreements, primarily for factory and office space, with initial or remaining terms of one year or more as of September 30, 2024 are as follows:

	September 30, 2024 Operating Lease Commitments
(in thousands)	
2024 (remaining)	\$ 193
2025	869
2026	407
2027	275
2028 & Thereafter	-
Total	<u>\$ 1,744</u>
Less imputed interest	<u>(101)</u>
Total operating lease liabilities	<u>\$ 1,643</u>

Facilities account for the largest portion of our lease commitments. The Company has three facilities with our headquarters and primary engineering and operational functions located in Redmond, Washington. Our two subsidiary facilities in Munich, Germany and Shanghai, China provide extended worldwide sales, service, engineering and operation services. The Shanghai facility lease was renewed for an additional three years with a new expiration date of October 31, 2027. There were no other new operating leases during the three and nine months ended September 30, 2024. The components of our lease payments for the three and nine months ended September 30, 2024, include facility related operating lease costs of \$214,000 and \$629,000, respectively, and short-term lease costs of \$ 9,000 and \$28,000, respectively.

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The Redmond, Washington headquarters facility lease runs to January 31, 2026 at approximately 20,460 square feet. The lease for the facility located in Shanghai, China was renewed for an additional three years to October 31, 2027 at approximately 19,400 square feet. The lease for the facility located near Munich, Germany runs to August 2027 at approximately 4,895 square feet.

The following table presents supplemental balance sheet information related to leases as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
(in thousands)		
Right-of-use assets (Long-term other assets)	\$ 1,643	\$ 1,363
Lease liability-short term (Other accrued liabilities)	779	798
Lease liability-long term (Operating lease liabilities)	864	703

As of September 30, 2024, the weighted average remaining lease term is 2.3 years and the weighted average discount rate used is 5%. The third quarter increases in the valuation of right-of-use assets, lease liabilities and weighted average lease term are due to the Shanghai lease renewal.

NOTE 6 – OTHER COMMITMENTS

We have purchase obligations for inventory and production costs as well as other obligations such as capital expenditures, service contracts, marketing, and development agreements. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure and approximate timing of the transaction. Most arrangements are cancelable without a significant penalty, and with short notice, typically less than 90 days. As of September 30, 2024, we had one contract with a commitment of approximately \$232,000 to be paid within one year and \$77,000 beyond one year.

NOTE 7 – CONTINGENCIES

As of September 30, 2024, we were not a party to any legal proceedings or aware of any indemnification agreement claims, the adverse outcome of which in management's opinion, individually or in the aggregate, would have a material adverse effect on our results of operations or financial position.

NOTE 8 – INCOME TAXES

Income tax benefit (expense) primarily relates to foreign and state taxes. The third quarter 2024 activity did not have a dividend payment from Shanghai. However, the second quarter of 2024 included dividend withholding taxes of approximately \$337,000 due to a \$3.4 million dividend repatriation from our China subsidiary operation.

The effective tax rate differed from the statutory tax rate primarily due to valuation allowances, as well as foreign taxes. We have a valuation allowance of \$9.3 million as of September 30, 2024. As of September 30, for both 2024 and 2023, our deferred tax assets and valuation allowance have been reduced by approximately \$441,000 and \$435,000, respectively. Given the uncertainty created by our loss history, as well as the volatile and uncertain economic outlook for our industry and capital spending, we have limited the recognition of net deferred tax assets including our net operating losses and credit carryforwards and continue to maintain a valuation allowance for the full amount of the net deferred tax asset balance.

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NOTE 9 – EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of common shares outstanding during each period. Diluted earnings per share is calculated based on these same weighted average shares outstanding plus the effect of potential shares issuable upon assumed exercise of stock options based on the treasury stock method.

Potential shares issuable upon the exercise of stock options are excluded from the calculation of diluted earnings per share to the extent their effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(in thousands except per share data)				
Numerator for basic and diluted earnings (loss) per share:				
Net income (loss)	\$ (307)	\$ (53)	\$ (1,911)	\$ 342
Denominator for basic earnings (loss) per share:				
Weighted-average shares	9,235	9,020	9,121	8,914
Employee stock options and awards	-	-	-	151
Denominator for diluted earnings (loss) per share:				
Adj weighted-average shares & assumed stock option conversions	9,235	9,020	9,121	9,065
Basic and diluted earnings (loss) per share:				
Basic earnings (loss) per share	\$ (0.03)	\$ (0.01)	\$ (0.21)	\$ 0.04
Diluted earnings (loss) per share	\$ (0.03)	\$ (0.01)	\$ (0.21)	\$ 0.04

The weighted average number of shares outstanding used to compute earnings (loss) per share included the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Restricted Stock Units	10,214	71,903	71,265	148,529
Performance Stock Units	7,312	679	9,222	599
Stock Option Unit	-	220	151	231

Options to purchase 34,398 and 12,500 shares, respectively, were outstanding as of September 30, 2024 and 2023, but were excluded from the computation of diluted earnings per share for the periods then ended because the options were anti-dilutive.

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NOTE 10 – SHARE-BASED COMPENSATION

For share-based awards granted, we have recognized compensation expense based on the estimated grant date fair value method. For these awards we have recognized compensation expense using a straight-line amortization method and reduced for estimated forfeitures.

The impact on our results of operations of recording share-based compensation, net of forfeitures, for the three and nine months ended September 30, 2024 and 2023, respectively, were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(in thousands)				
Cost of goods sold	\$ 26	\$ 24	\$ 86	\$ 72
Research and development	69	64	215	193
Selling, general & administrative	209	212	666	664
Total share-based compensation	<u>\$ 304</u>	<u>\$ 300</u>	<u>\$ 967</u>	<u>\$ 929</u>

Equity awards granted during the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Restricted Stock Units	2,500	75,000	234,150	357,100
Performance Stock Units	-	5,000	119,000	30,000
Stock Option Units	200,000	-	200,000	-

Non-employee directors Restricted Stock Units ("RSUs") typically vest over the earlier of one year or the next annual meeting of shareholders and Non-Qualified stock options vest over three years and have a six-year exercise period. Employee RSUs typically vest annually over three or four years and employee Non-Qualified stock options typically vest quarterly over four years and have a six-year exercise period.

Performance Stock Units ("PSUs") granted in 2024, cliff vest at the end of the performance period based on performance metrics which includes cumulative revenue growth, EBITDA attainment and other project-based milestone targets over the three-year period ending December 31, 2026 with a performance threshold, target, and maximum.

Stock option inducement grant of 200,000 shares was awarded to William Wentworth, new President and CEO, effective on the first day of employment. These options have a four-year quarterly vesting period and a six-year term and will be paid at the Fair Market Value (average of the high and low for the day) on the date of the grant. All other terms of the equity award are stated in the applicable award agreement.

The remaining unamortized expected future equity compensation expense and remaining amortization period associated with award grants of unvested options, PSUs and RSUs at September 30, 2024 and 2023 are:

	September 30, 2024	September 30, 2023
Unamortized future equity compensation expense (in thousands)	\$ 2,401	\$ 2,731
Remaining weighted average amortization period (in years)	2.24	2.60

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves as long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact made in this Quarterly Report on Form 10-Q are forward-looking. In particular, statements herein regarding economic outlook; industry prospects and trends; expected business recovery; industry partnerships; future results of operations or financial position; future spending; expected expenses, breakeven revenue point; expected market decline, bottom or growth; market acceptance of our newly introduced or upgraded products or services; the sufficiency of our cash to fund future operations and capital requirements; development, introduction and shipment of new products or services; changing foreign operations; taxes, trade issues and tariffs; expected inventory levels; expectations for unsupported platform or product versions and related inventory and other charges; supply chain expectations; semiconductor chip shortages and recovery; and any other guidance on future periods are forward-looking statements. Forward-looking statements reflect management's current expectations and are inherently uncertain. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, or other future events. Moreover, neither Data I/O nor anyone else assumes responsibility for the accuracy and completeness of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this Annual Report. The Reader should not place undue reliance on these forward-looking statements. The following discussions and the 2023 Annual Report on Form 10-K section entitled "Risk Factors – Cautionary Factors That May Affect Future Results" describe some, but not all, of the factors that could cause these differences.

OVERVIEW

Third quarter revenue at \$5.4 million was down 17% compared with \$6.6 million from the prior year period. Since the beginning of the year, automotive electronics uncertainty has increased and customer capacity expansion has slowed, resulting in lower system shipments in the Americas and Europe. Offsetting this headwind was the Asia channel which grew 29% in the third quarter and 26% year-to-date.

While sales of systems to the automotive market were below expectations, we continue to achieve steady performance from our programming centers, industrial markets and recurring revenue offerings. Specifically, our consumables, software and services grew 6% in the third quarter and currently represent 50% of our total year-to-date revenue, which provides a steady base of revenue to help offset the present Capex softness. Order backlog remains strong at \$4.7 million as of September 30th, 2024 and down only \$700,000 from the start of the quarter, with further reductions expected as planned customer deliveries occur in the next two quarters.

Third quarter operating expense was \$3.2 million, down \$334,000 or 9% from the prior year and down \$1.3 million or 11% on a year-to-date basis. Core personnel, facilities, IT and other outside services costs declined through prioritization of critical initiatives and overall efficiency improvements. This lower and more efficient cost structure has partially mitigated the year-to-date revenue shortfall while positioning the Company to fund critical future growth initiatives.

Looking ahead, we expect continued near-term market headwinds, which will be partially mitigated by continued backlog reductions in the upcoming quarters, as well as leveraging the progress made on managing costs. Overall, we remain very solid financially with a strong cash position, no debt and improved cost and operating structures which enable us to begin implementing future market, product and operational initiatives to drive growth under new company leadership.

Finally, a Chief Executive Officer ("CEO") transition was initiated with industry veteran and current Data I/O Board member, William "Bill" Wentworth, becoming President effective September 1, 2024, and CEO effective October 1, 2024. Bill replaced retiring Anthony Ambrose in his CEO role for Data I/O for the past twelve years.

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CRITICAL ACCOUNTING POLICY JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that we make estimates and judgments, which affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, sales returns, bad debts, inventories, income taxes, warranty obligations, restructuring charges, contingencies such as litigation and contract terms that have multiple elements and other complexities typical in the capital equipment industry. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements:

Revenue Recognition: Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (ASC 606) provides a single, principles-based, five-step model to be applied to all contracts with customers. It generally provides for the recognition of revenue in an amount that reflects the consideration to which the Company expects to be entitled, net of allowances for estimated returns, discounts or sales incentives, as well as taxes collected from customers when control over the promised goods or services are transferred to the customer.

We expense contract acquisition costs, primarily sales commissions, for contracts with terms of one year or less and will capitalize and amortize incremental costs with terms that exceed one year. During the first three quarters of 2024 and 2023, the impact of capitalization of incremental costs for obtaining contracts was immaterial. We exclude sales, use, value added, some excise taxes and other similar taxes from the measurement of the transaction price.

We recognize revenue upon transfer of control of the promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We have determined that our programming equipment has reached a point of maturity and stability such that product acceptance can be assured by testing at the factory prior to shipment and that the installation meets the criteria to be a separate performance obligation. These systems are standard products with published product specifications and are configurable with standard options. The evidence that these systems could be deemed as accepted was based upon having standardized factory production of the units, results from batteries of tests of product performance to our published specifications, quality inspections and installation standardization, as well as past product operation validation with the customer and the history provided by our installed base of products upon which the current versions were based.

The revenue related to products requiring installation that is perfunctory is recognized upon transfer of control of the product to customers, which generally is at the time of shipment. Installation that is considered perfunctory includes any installation that is expected to be performed by other parties, such as distributors, other vendors, or the customers themselves. This analysis considers the complexity, skill and training needed, as well as customer installation expectations.

We enter into arrangements with multiple performance obligations that arise during the sale of a system that could include hardware, software, installation, services and support and extended maintenance components. We allocate the transaction price of each element based on the relative selling price. Relative selling price is based on the selling price of the standalone system. Installation, services and support costs are based on the discount given to distributors who perform these services. For software maintenance performance obligations, we use the charge for annual software maintenance renewals after the expiration of the initial warranty coverage. Revenue is recognized on the system based on shipping terms, software based on delivery, installation and services based on completion of work and software maintenance and extended warranty support ratably over the term of the agreement, typically one year.

When we license software separately, we recognize revenue upon the transfer of control of the software, which is generally upon delivery, provided that only immaterial items in the context of the contract with the customer remain on our part and substantive acceptance conditions, if any, have been met.

We recognize revenue when there is an approved contract that both parties are committed to perform, both parties' rights have been identified, the contract has substance, collection of substantially all the consideration is probable, the transaction price has been determined and allocated over the performance obligations, the performance obligations including substantive acceptance conditions, if any, in the contract have been met, the obligation is not contingent on resale of the product, the buyer's obligation would not be changed in the event of theft, physical destruction or damage to the product, the buyer acquiring the product for resale has economic substance apart from us and we do not have significant obligations for future performance to directly bring about the resale of the product by the buyer. We establish a reserve for sales returns based on historical trends in product returns and estimates for new items. Payment terms are generally 30 to 60 days from shipment.

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We transfer certain products out of service from their internal use and make them available for sale. The products transferred are typically our standard products in one of the following areas: service loaners, rental or test units; engineering test units; or sales demonstration equipment. Once transferred, the equipment is sold by our regular sales channels as used equipment inventory. These product units often involve refurbishing and are sold in our normal and ordinary course of business with standard warranty coverage. The transfer amount is the product unit's net book value, and the sale transaction is accounted for as revenue and cost of goods sold.

Allowance for Credit Losses: We base the allowance for credit losses on our assessment of the losses collectively expected for the future, as well as collectability of specific customer accounts and the aging of accounts receivable. If there is deterioration of a major customer's credit worthiness or actual defaults are higher than historical experience, or events forecast that collectively indicate some impairment is expected, our estimates of the recoverability of amounts due to us could be adversely affected.

Inventory: Inventories are stated at the lower of cost or net realizable value. Adjustments are made to standard cost, which approximates actual cost on a first-in, first-out basis. We estimate reductions to inventory for obsolete, slow-moving, excess and non-salable inventory by reviewing current transactions and forecasted product demand. We evaluate our inventories on an item-by-item basis and record inventory adjustments accordingly. If there is a significant decrease in demand for our products, uncertainty during product line transitions, or a higher risk of inventory obsolescence because of rapidly changing technology and customer requirements, we may be required to increase our inventory adjustments, and our gross margin could be adversely affected.

Warranty Accruals: We accrue for warranty costs based on the expected material and labor costs to fulfill our warranty obligations. If we experience an increase in warranty claims, which are higher than our historical experience, our gross margin could be adversely affected.

Tax Valuation Allowances: Given the uncertainty created by our loss history, as well as cyclical economic outlook for our industry, capital and geographic spending, as well as income and current net deferred tax assets by entity and country, we expect to continue to limit the recognition of net deferred tax assets and accounting for uncertain tax positions and maintain the tax valuation allowances. At the current time, we expect, therefore, that reversals of the tax valuation allowance will take place as we are able to take advantage of the underlying tax loss or other attributes in carry forward or their use by future income or circumstances allow us to realize these attributes. The transfer pricing and expense or cost sharing arrangements are complex areas in which judgments, such as the determination of arms-length arrangements, can be subject to challenges by different tax jurisdictions.

Share-based Compensation: We account for share-based awards made to our employees and directors, including employee stock option awards, performance stock unit awards and restricted stock unit awards, using the estimated grant date fair value method of accounting. For options, we estimate the fair value using the Black-Scholes valuation model and an estimated forfeiture rate. Restricted stock unit awards and performance stock unit awards are valued based on the average of the high and low price on the date of the grant and an estimated forfeiture rate. For options, performance and restricted stock unit awards, expense is recognized as compensation expense on the straight-line basis. Employee Stock Purchase Plan ("ESPP") shares were issued under provisions that do not require us to record any equity compensation expense.

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RESULTS OF OPERATIONS:

NET SALES

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
Net sales by product line (in thousands)						
Automated programming systems	\$ 4,012	(23.8%)	\$ 5,267	\$ 12,844	(25.0%)	\$ 17,129
Non-automated programming systems	1,411	9.0%	1,294	3,740	(7.9%)	4,061
Total programming systems	<u>\$ 5,423</u>	<u>(17.3%)</u>	<u>\$ 6,561</u>	<u>\$ 16,584</u>	<u>(21.7%)</u>	<u>\$ 21,190</u>

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
Net sales by location (in thousands)						
United States	\$ 388	39.6%	\$ 278	\$ 1,201	(46.0%)	\$ 2,225
% of total	7.2%		4.2%	7.2%		10.5%
International	\$ 5,035	(19.9%)	\$ 6,283	\$ 15,383	(18.9%)	\$ 18,965
% of total	92.8%		95.8%	92.8%		89.5%

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
Net sales by type (in thousands)						
Equipment sales	\$ 2,509	(34.3%)	\$ 3,820	\$ 8,228	(33.8%)	\$ 12,428
Adapter sales	2,005	10.6%	1,813	5,667	(6.5%)	6,059
Software and maintenance	909	(2.0%)	928	2,689	(0.5%)	2,703
Total	<u>\$ 5,423</u>	<u>(17.3%)</u>	<u>\$ 6,561</u>	<u>\$ 16,584</u>	<u>(21.7%)</u>	<u>\$ 21,190</u>

Net sales in the third quarter 2024 were \$5.4 million, down 17% compared with \$6.6 million in the third quarter 2023. Since the beginning of the year, automotive electronics uncertainty has increased and customer capacity expansion has slowed, resulting in lower system shipments in the Americas and Europe which are offsetting growth in Asia.

While the automotive system results are below expectations, the Company continues to achieve steady performance from programming centers, industrial markets, and its recurring revenue offerings. Third quarter 2024 recurring services and consumable adapter sales increased by 6% from the prior year, while system sales declined by 34% during the same periods.

Third-quarter bookings mirrored sales at \$4.7 million, down from \$5.3 million in the prior year. Backlog remains strong at \$4.7 million as of September 30,

2024, down \$0.7 million from the start of the quarter, with further reductions expected as planned customer deliveries occur in future quarters.

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
(in thousands)						
Gross margin	\$ 2,924	(16.9%)	\$ 3,520	\$ 8,900	(27.0%)	\$ 12,195
Percentage of net sales	53.9%		53.7%	53.7%		57.6%

Gross margin as a percentage of sales was 53.9% in the third quarter as compared to 53.7% in the prior year period. Despite lower sales volume, gross margin as a percentage of sales remained comparable to prior quarters in 2024 due to product mix favoring software and services over reduced system sales, and successful efforts to improve material, production and service costs through ongoing cost reduction initiatives. Year-to-date gross margin decline from prior year reflects lower sales volume on relatively fixed manufacturing and service costs.

RESEARCH AND DEVELOPMENT

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
(in thousands)						
Research and development	\$ 1,544	(2.1%)	\$ 1,577	\$ 4,539	(7.8%)	\$ 4,922
Percentage of net sales	28.5%		24.0%	27.4%		23.2%

Research and development ("R&D") expenses in the third quarter and year-to-date 2024 decreased compared to the same periods in 2023, primarily due to lower consulting and outside services in support of our product lines. Through prioritization and focus on key engineering programs, the company continues to efficiently invest in the research and development of new technology, products and services.

SELLING, GENERAL AND ADMINISTRATIVE

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
(in thousands)						
Selling, general & administrative	\$ 1,705	(15.0%)	\$ 2,006	\$ 6,112	(12.7%)	\$ 7,003
Percentage of net sales	31.4%		30.6%	36.9%		33.0%

Selling, General and Administrative ("SG&A") expenses in the third quarter of 2024 decreased by approximately \$300,000 or 15% from the prior year period primarily due to lower channel and sales commissions associated with lower sales volume, continued efficiency improvements and receipt of a \$228,000 China subsidy grant to recognize past and promote continued local business development. All operational areas including sales, marketing, facilities, IT, finance and human resources contributed to these reductions through efficiency improvements and cost reductions throughout the year.

INTEREST

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
(in thousands)						
Interest income	\$ 71	73.2%	\$ 41	\$ 224	79.2%	\$ 125

Interest income was higher in the third quarter and year-to-date 2024 compared to the same periods in 2023 due to higher average interest rates and higher invested balances.

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INCOME TAXES

	Three Months Ended			Nine Months Ended		
	September 30, 2024	Change	September 30, 2023	September 30, 2024	Change	September 30, 2023
(in thousands)						
Income tax benefit (expense)	\$ 0	(100.0%)	\$ (16)	\$ (393)	145.6%	\$ (160)

Income tax benefit (expense) for the third quarter of both 2024 and 2023, primarily related to foreign and some state taxes. Foreign income tax in the second quarter of 2024 was primarily a result of a China subsidiary dividend withholding tax of \$337,000 paid in connection with a dividend repatriation to the U.S. parent company. Year-to-date income tax benefit (expense) was primarily due to the same factors as in the second quarter of 2024.

The effective tax rate differed from the statutory tax rate due primarily to the valuation allowance's effect, as well as foreign taxes. We have a valuation allowance of \$9.3 million as of September 30, 2024. As of September 30, for both 2024 and 2023, our deferred tax assets and valuation allowance have been reduced by approximately \$441,000 and \$435,000, respectively. Given the uncertainty created by our loss history, as well as the volatile and uncertain economic outlook for our industry and capital spending, we have limited the recognition of net deferred tax assets including our net operating losses and credit carryforwards and continue to maintain a valuation allowance for the full amount of the net deferred tax asset balance.

Financial Condition

LIQUIDITY AND CAPITAL RESOURCES

	September 30, 2024	Change	December 31, 2023
(in thousands)			
Working capital	\$ 17,614	\$ (811)	\$ 18,425

At September 30, 2024, our principal sources of liquidity consisted of existing cash and cash equivalents. The balance sheet remains strong with cash of \$12.4 million at the end of the third quarter compared to \$12.3 million on December 31, 2023. Cash increased slightly from the beginning of the year due to reduced operating expenses and improved collections of receivables, offset by lower revenue, higher inventories, cash expenses paid annually in the first quarter, and the second quarter tax repatriation expense of approximately \$337,000. Correspondingly, working capital decreased by \$811,000 during the year to \$17.6 million as of September 30, 2024. The Company continues to have no debt.

Although we currently have no significant capital expenditure plans, we expect to continue to carefully make and manage expenditures to support the business. Engineering and production tooling, test equipment and sales demonstration products will continue to be purchased as we develop and release new products. Capital expenditures are expected to be funded by existing and internally generated funds.

As a result of our cyclical and seasonal industry, significant product development, customer support and selling and marketing efforts, we have required working capital to fund our operations. We have tried to balance our spending with our anticipated revenue levels and the goal of profitable operations. We have implemented or have on-going initiatives to reduce material and logistic costs, enhance product quality, increase operational and R&D efficiencies and minimize tax expenses.

We believe that we have sufficient cash or working capital available under our operating plan to fund our operations and capital requirements through the next one-year period, and beyond. Our working capital may be used to fund possible losses, business growth, project initiatives, share repurchases and business development initiatives, including acquisitions, which could reduce our liquidity and result in a requirement for additional cash before that time. Any substantial inability to achieve our current business plan could have a material adverse impact on our financial position, liquidity, or results of operations and may require us to further reduce expenditure and/or seek possible additional financing.

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OFF-BALANCE SHEET ARRANGEMENTS

Except as noted in the accompanying consolidated financial statements in Note 5, "Leases" and Note 6, "Other Commitments", we have no off-balance sheet arrangements.

NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) FINANCIAL MEASURES

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") was approximately (\$267,000) in the third quarter of 2024 compared to \$102,000 in the third quarter of 2023. Adjusted EBITDA, excluding equity compensation (a non-cash item), was approximately \$37,000 in the third quarter of 2024, compared to \$402,000 in the third quarter of 2023. Year-to-date Adjusted EBITDA was (\$324,000) and \$1.8 million for the periods ending September 30, 2024 and 2023, respectively.

Non-GAAP financial measures, such as EBITDA and adjusted EBITDA, should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding the Company's results and facilitate the comparison of results. A reconciliation of net income to EBITDA and adjusted EBITDA follows:

NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) FINANCIAL MEASURE RECONCILIATION

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Net Income (loss)	\$ (307)	\$ (53)	\$ (1,911)	\$ 342
Interest (income)	(71)	(41)	(224)	(125)
Taxes	-	16	393	160
Depreciation & amortization	111	180	451	468
EBITDA earnings (loss)	\$ (267)	\$ 102	\$ (1,291)	\$ 845
Equity compensation	304	300	967	929
Adjusted EBITDA, excluding equity compensation	\$ 37	\$ 402	\$ (324)	\$ 1,774

Recently Adopted Accounting Pronouncements

See Note 1 of Notes to Condensed Consolidated Financial Statements included in Part 1, Item 1 for a discussion of recently adopted accounting pronouncements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective at a reasonable level of assurance. Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal controls

There were no changes made in our internal controls during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting which is still under the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013).

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of September 30, 2024, we were not a party to any material pending legal proceedings.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There are no material changes to the Risk Factors described in our Annual Report.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

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Item 6. Exhibits

10	Material Contracts:
	<u>10.38</u> <u>Executive Employment Agreement with William Wentworth dated August 19, 2024</u>
	<u>10.39</u> <u>Transition Agreement with Anthony Ambrose dated August 19, 2024</u>
31	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002:
	<u>31.1</u> <u>Chief Executive Officer Certification</u>
	<u>31.2</u> <u>Chief Financial Officer Certification</u>
32	Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002:
	<u>32.1</u> <u>Chief Executive Officer Certification</u>
	<u>32.2</u> <u>Chief Financial Officer Certification</u>
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED: November 12, 2024

DATA I/O CORPORATION (REGISTRANT)

By: /s/William Wentworth
William Wentworth
President and Chief Executive Officer
(Principal Executive Officer and Duly Authorized Officer)

By: /s/Gerald Y. Ng
Gerald Y. Ng
Vice President and Chief Financial Officer
Secretary and Treasurer
(Principal Financial Officer and Duly Authorized Officer)

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement"), effective August 19, 2024 ("Effective Date"), is made between Data I/O Corporation, a Washington corporation ("Employer" or the "Company"), and William Wentworth ("Employee"). Employee and the Company are sometimes referred to herein collectively as the "Parties" and individually as a "Party."

RECITALS

A. Employer is in the business (the "Business") of providing data and security programming solutions for flash, flash-memory based intelligent devices and microcontrollers for automotive, Internet-of-Things, medical, wireless, consumer electronics, industrial controls, and other markets.

B. Employer desires to employ Employee as its President and Chief Executive Officer, in which capacity Employee has access to Employer's Secrets (as hereinafter defined), and to obtain assurance that Employee will protect Employer's Secrets and will not compete with Employer or solicit its customers or its other employees during the term of employment and for a reasonable period of time after termination of employment pursuant to this Agreement, and Employee is willing to agree to these terms.

C. Employee desires to be assured of the salary, bonus opportunity and other benefits in this Agreement and, as additional consideration, to obtain the equity interests that Employer is willing to grant.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants in this Agreement, and other good and valuable consideration, the Parties agree as follows:

1. **Employment.** Employer employs Employee, and Employee has agreed to be employed as the Company's President effective September 1, 2024, and Chief Executive Officer effective October 1, 2024. Employee reports to the Board of Directors of Employer. Changes may be made from time to time by Employer in its sole discretion to the duties, reporting relationships and title of Employee. Employee will devote Employee's full time and attention to Employee's duties to the Company. Employee will comply with all rules, policies and procedures of Employer as modified from time to time, including without limitation, rules and procedures set forth in any employee handbook, supervisor manual or operating manual applicable to Employee. Employee will perform all of Employee's responsibilities in compliance with all applicable laws and will ensure that the operations that Employee manages are in compliance with all applicable laws. During Employee's employment, Employee will not engage in any other business activity which, in the reasonable judgment of the Company, conflicts with the duties of Employee under this Agreement, whether or not such activity is pursued for gain, profit or other pecuniary advantage.

2. **Term of Employment.** The term of employment ("Term") will not be for a definite period, but rather continue indefinitely until terminated in accordance with the terms and conditions of this Agreement.

3. **Compensation and Equity Awards.** For the duration of Employee's employment under this Agreement, the Employee will be entitled to compensation which will be computed and paid pursuant to the following subparagraphs.

3.1 **Base Salary.** Employer will pay to Employee a base salary ("Base Salary") at an annual rate of \$347,000.00 (three hundred forty-seven thousand dollars and no/100), payable in installments (but in no event less than monthly), subject to withholdings and deductions as required or permitted by law. Employee's Base Salary will be reviewed annually by Employer and may be adjusted in the sole discretion of Employer based on such review, but will not be reduced by Employer unless a material adverse change in the financial condition or operations of Employer has occurred or unless Employee's responsibilities are altered to reflect less responsibility.

3.2 **Management Incentive Compensation Plan.** Employee shall be allowed to participate in the Company's Management Incentive Compensation Plan ("MICP") at a rate of 60% of Base Salary at target. MICP is calculated at the end of the fiscal year and is paid in the first quarter of the subsequent fiscal year.

3.3 Equity Compensation. Effective on the first day of Employee's employment, equity awards will be made to Employee pursuant to the terms of the Data I/O Corporation 2023 Omnibus Incentive Compensation Plan. An inducement grant award of 200,000 shares of non-qualified options will be granted to Employee. These options have a four-year quarterly vesting period and a six year life term, and will be priced at the Fair Market Value (average of the high and low for the day) of Data I/O Corporation stock on the date of the grant. All other terms of any equity award will be as stated in the applicable equity award agreement.

3.4 Relocation and Temporary Living and Commuting Cost Reimbursement. Employee shall receive up to 12 months of relocation and temporary living and commuting costs covering up to \$7,500 per month, which shall be paid to Employee upon the presentation of receipts for qualifying expenses to the Company. This relocation reimbursement may be extended for up to an additional 12 months at the discretion of the Company.

4. Other Benefits.

4.1 Certain Benefits. Employee is eligible to participate in all employee benefit programs described in the Company's Team Member Handbook. Employee is eligible to participate in the Company's 401(k) plan. Employee is eligible to participate in the Company's Employee Stock Purchase Plan ("ESPP") with February 1 and August 1 election start dates. Employee shall also be covered by the Company's Directors and Officers insurance coverage as well as the Company's standard indemnification agreement for Officers and Directors.

4.2 Vacations, Holidays and Expenses. For the duration of Employee's employment hereunder, Employee will be provided such holidays and sick leave as Employer makes available to its management level employees generally and as may be required by law. Employee shall also be entitled to twenty (20) days of Personal Time Off ("PTO"), which Employee shall accrue at 6.67 hours per pay period. Employee shall be entitled to carry over no more than 80 hours of PTO from one calendar year to the next. Employer will reimburse Employee in accordance with company policies and procedures for reasonable expenses necessarily incurred in the performance of duties hereunder against appropriate receipts and vouchers indicating the specific business purpose for each such expenditure.

4.3 Right of Set-off. By accepting this Agreement, Employee consents to a deduction from any amounts Employer owes Employee from time to time (including amounts owed to Employee as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to Employee by Employer), to the extent of the amounts Employee owes to Employer and to the extent allowed by law. Whether or not Employer elects to make any set-off in whole or in part, if Employer does not recover by means of set-off the full amount Employee owes it, calculated as set forth above, Employee agrees to pay immediately upon Employer's demand, the unpaid balance to Employer.

5. Termination or Discharge:

5.1 By Employer For Cause, or by Employee for any Reason other than Good Reason in Conjunction With a Control Event. Employer will have the right to immediately terminate Employee's services and this Agreement for Cause. "Cause" means the Employer's belief that any of the following has occurred:

(i) any violation by Employee of any material obligation under this Agreement or any other written agreement between Employee and the Company;

(ii) any action or failure to act by Employee which causes the Company to incur significant monetary damages;

(iii) conviction for commitment of a felony;

(iv) any violation of law which has a material, adverse effect on the Company;

(v) habitual abuse of alcohol or a controlled substance;

(vi) theft or embezzlement from the Company;

(vii) repeated unexcused absence from work for reasons unrelated to short-term illnesses;

(viii) the failure by Employee substantially to achieve personal performance goals reasonably established by the board of directors or any officer to whom he/she reports other than where such failure is substantially attributable to factors beyond

control of Employee;

(ix) Disability of Employee (as defined below); and

(x) repeated failure or refusal by Employee to carry out the reasonable directives, orders or resolutions of the Company's Board of Directors or any officer to whom he/she reports.

"Disability" shall mean any physical, mental or other health condition which substantially impairs Employee's ability to perform his/her assigned duties for ninety (90) days or more in any one hundred eighty (180) day period or that can be expected to result in death. Any disagreement as to whether Employee is disabled shall be resolved by a physician selected by the Company after an examination of Employee. Employee hereby consents to such physical examination and to the examination of all medical records of Employee necessary, in the judgment of the examining physician, to make the determination of Disability.

Upon termination of Employee's employment hereunder 1) for Cause; or 2) upon the death or disability of Employee; or 3) upon Employee terminating Employee's Employment for any reason at any time other than Good Reason during the Window (defined below), Employee will have no rights to any unvested benefits or any other compensation or payments after the termination date or the last day of the month in which Employee's death or disability occurred, respectively.

5.2 By Employer Without Cause and Not in Conjunction With a Control Event. Employer may terminate Employee's employment under this Agreement without Cause and not within the "Window." The "Window" is the period commencing ninety (90) days prior to the date of occurrence (the "Event Date") of a Control Event (defined below) and ending on the first anniversary of the Event Date. If the Company terminates Employee's Employment without Cause outside of the Window, Employee shall be entitled to 12 months of continued pay at Employee's then current Base Salary (the "Severance"), less applicable taxes and withholding, provided, however, that Employee shall only be entitled to such Severance if Employee first signs (and then Employee does not rescind, as may be permitted by law) a general release of claims in favor of Employer, in a form chosen by Employer in its sole reasonable discretion, within 21 days of being provided such general release of claims by Employer. Such release of claims shall not require Employee to release claims relating to vested employee benefits or payments due under the terms of such release of claims agreement. Any Severance shall be paid at the usual and customary pay intervals of Employer and will be subject to all appropriate deductions and withholdings. Upon termination, Employee will have no rights to any unvested benefits or any other compensation or payments except as stated in this paragraph.

5.3 By Employer Without Cause and in Conjunction with a Control Event, or By Employee for Good Reason and in Conjunction with a Control Event. Employer may terminate Employee's employment under this Agreement without Cause during the Window.

(i) If the Company terminates Employee's Employment without Cause during the Window (a "Control Event Termination"), or if Employee terminates Employee's Employment for Good Reason during the Window (also a "Control Event Termination"), Employee shall be entitled to the Control Event Severance described below, less applicable taxes and withholding, as well as Employee's expenses incurred, up to Twenty Thousand Dollars (\$20,000), for outplacement services or other job search expenses. provided, however, that Employee shall only be entitled to such Control Event Severance and outplacement reimbursement if Employee first signs (and then Employee does not rescind, as may be permitted by law) a general release of claims in favor of Employer, in a form chosen by Employer in its sole reasonable discretion, within 21 days of being provided such general release of claims by Employer. Such release of claims shall not require Employee to release claims relating to vested employee benefits or payments due under the terms of such release of claims agreement. Any Control Event Severance shall be paid at the usual and customary pay intervals of Employer and will be subject to all appropriate deductions and withholdings. Upon termination, Employee will have no rights to any unvested benefits or any other compensation or payments except as stated in this paragraph.

(ii) If the Control Event Termination occurs prior to the Control Event, the Control Event Severance shall be due on the fifth (5th) day following the Event Date; if such termination occurs on or subsequent to the Event Date, the Control Event Severance shall be due on the twentieth (20th) business day following the date of termination (the "Termination Date") or at a later date in order to comply with the provisions of Section 409A of the Internal Revenue Code to the extent the Control Event Severance would constitute deferred compensation under Section 409A, including delaying the payment until the date that is six months and one day following separation from service if the Employee is a "specified employee" within the meaning of Section 409A at the time of his separation from service. Outplacement expenses under this Section 5.3 must be incurred and shall be paid no later than December 31st of the second calendar year following the calendar year of the Employee's termination of employment. For purposes of this Agreement, termination from employment shall mean a "separation from service" as defined under the default rules under the final Section 409A regulations.

(iii) The Control Event Severance shall be calculated using the following formula:

$[(B-A)/365] \times (C + D)$ where:

A = the number of days of continued full-time employment of Employee by the Company following the Event Date

B = 1 x 365

C = Employee's annual base salary as of the Termination Date

D = the average of all cash bonuses that Employee received or is entitled to receive regarding the three most recent fiscal years of the Company during which Employee was employed by the Company in his or her current position for the entire year;

provided however, that unless the Company, its successors or assigns gives Employee six (6) months advance written notice of termination, the Severance Payment shall not be less than the amount computed as follows: $(0.5) \times (C + D)$.

(iv) Notwithstanding anything to the contrary contained in any agreement relating to an outstanding Award issued under the Company's 2023 Data I/O Corporation Omnibus Incentive Compensation Plan (the "2023 Data I/O Stock Plan") or any provisions contained in the 2023 Stock Plan, if Employee is subject to an Involuntary Termination within one year following a Change in Control, then all outstanding Awards held by Employee that have not become vested previously shall become fully vested (or exercisable in full) upon such Involuntary Termination, for a period of ninety (90) days commencing on the effective date of such Involuntary Termination, or if shorter, the remaining term of the Award, whether or not the vesting requirements set forth in the Award agreement have been satisfied. The terms "Award," "Change in Control," and "Involuntary Termination," when used in this section 5.3(iv), shall each have the respective meaning defined therefor in the 2023 Data I/O Stock Plan.

5.4 Definition of Good Reason. Each of the following shall constitute "Good Reason", provided that it occurs during the Window, and provided further that Employee must provide notice to the Company within sixty (60) days of the existence of such condition and the Company will have thirty (30) days from receipt of such notice to remedy the condition. If the condition is not remedied within such thirty (30) day period, the following conditions will constitute "Good Reason":

(i) the material diminution of Employee's position, duties, responsibilities or status with the Company or its successor, as compared with the position, duties, responsibilities or status of Employee with the Company immediately prior to the Event Date, except in connection with the termination of Employee for Cause;

(ii) the Company's failure to obtain an assumption of the obligations of the Company to perform this Agreement by any successor to the Company;

(iii) any material reduction in Employee's base salary, or a material reduction in benefits payable to Employee or failure of the Company to pay Employee any earned salary, bonus or benefits except with the prior written consent of Employee;

(iv) the exclusion or limitation of Employee from participating in some form of variable compensation plan which provides the Employee the opportunity to achieve a level of total compensation (base salary plus variable compensation) consistent with what the Employee had the opportunity to earn at the Event Date; or

(v) any demand by any director or officer of the Company that Employee take any action or refrain from taking any action where such action or inaction, as the case may be, would violate any law, rule, regulation or other governmental pronouncement, court order, decree or judgment, or breach any agreement or fiduciary duty.

5.5 Definition of Control Event. For purposes of this Agreement, a "Control Event" shall mean the occurrence of any of the following events:

(i) when any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, a subsidiary thereof or an employee benefit plan of the Company, including any trustee of such plan acting as trustee) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined

voting power of the Company's then outstanding securities; or

(ii) the approval by the Company's shareholders (or, if later, approval by the shareholders of any Person) of any merger, consolidation, reorganization or other transaction providing for the conversion or exchange of more than fifty percent (50%) of the outstanding shares of Common Stock into securities of any Person, or cash, or property, or a combination of any of the foregoing.

5.6 Return of Company Property, Documents, and Materials. Upon termination of this Agreement for any reason or upon request of the Company, Employee shall deliver to the Company all property, documents and materials pertaining to the Company's business including, but not limited to, memoranda, notes, records, drawings, manuals, disks, copies, representations, extracts, summaries and analyses, all inventory, demonstration units, and any other property, documents or media of the Company, and all equipment belonging to the Company, including but not limited to corporate cards, access cards, office keys, office equipment, laptop and desktop computers, cell phones and other wireless devices, thumb drives, and all other media storage devices.

6. Restrictive Covenants.

6.1 Non-Competition. During Employee's employment, Employee will not, directly or indirectly, on Employee's own behalf or on behalf of or in conjunction with any person, business, firm, company, or other entity, set up, join, become employed by, be engaged in, or provide any advice or services to, any enterprise (including, without limitation, any corporation, partnership, proprietorship, or other venture) which competes with the Company. Furthermore if Employee receives the Severance or the Control Event Severance (as defined above), until the first anniversary of the Termination Date (as defined above), Employee will not in any capacity directly or in-directly engage in, assist others to engage in or own a material interest in any business or activity that is, or is preparing to be, in competition with the Company with respect to any product or service sold or service provided by the Company up to the time of termination of employment in any geographical area in which at the time of termination of employment such product or service is sold or actively is engaged in.

6.2 Non-Solicitation. Employee agrees to the following non-solicitation covenants during Employees employment with the Company and for one (1) year after employment is terminated for any reason by either party:

(i) Customer Non-Solicitation. Employee shall not, whether directly or indirectly, solicit, communicate with or otherwise contact any of the Company's customers with whom Employee had material contact during Employee's employment with the Company, for the purpose of conducting any business with them which is substantially similar to the business conducted or anticipated to be conducted by the Company during Employee's employment with the Company. "Material contact" means (a) actual contact with customers—such as through the provision of services or sales visits or calls—(b) coming to know confidential information about a Company customer—such as by obtaining pricing and sales information, or (c) directing or coordinating other employees in calling, servicing, or soliciting customers.

(ii) Employee Non-Solicitation. Employee shall not, directly or indirectly, solicit or induce—or encourage another entity or person to solicit or induce—any person employed by the Company or any person retained by the Company as an independent contractor with the Company to terminate an employment relationship or contract with the Company or to obtain employment with another entity or person besides the Company.

(iii) Interference with Business. Employee shall not, whether directly or indirectly, undertake any act with the intent to disrupt, impair or interfere with the business of the Company in any way, whether by way of interfering with or disrupting its relationships with customers, agents, representatives, contractors, or suppliers, or otherwise.

6.3 Protectable Interests. Employee acknowledges and agrees that (1) complying with the restrictions contained in this Section 6 of this Agreement will not prevent Employee from earning a living, and (2) such restrictions are necessary and reasonable (including, without limitation, with respect to geographic scope and duration) to protect the Company's valid interests (including, without limitation, relationships with customers, goodwill, the protection trade secrets and other of Confidential and Proprietary Information, protection from unfair competition, and other protectable interests).

7. Confidential Information and Trade Secrets.

7.1 Employee acknowledges that the Company's business and future success depends on the preservation of the trade secrets and other confidential information of the Company and its suppliers and customers (the "Secrets"). The Secrets may include, without limitation, the intellectual property of the Company, existing and to-be-developed or acquired product designs, new product plans or ideas, market surveys, the identities of past, present or potential customers, business and financial information, pricing methods or data, terms of contracts with present or past customers, proposals or bids, marketing plans, personnel information, procedural and technical manuals and practices, servicing routines, and parts and supplier lists proprietary to the Company or its customers or suppliers, and any other sorts of items or information of the Company or its customers or suppliers which are not generally known to the public at large. Employee agrees to protect and to preserve as confidential during and after the term of his/her employment all of the Secrets at any time known to Employee or in his/her possession or control (whether wholly or partially developed by Employee or provided to Employee, and whether embodied in a tangible medium or merely remembered).

7.2 Nothing in this Agreement shall be interpreted to prohibit Employee from disclosing or discussing conduct that Employee reasonably believes to be illegal harassment, illegal discrimination, illegal retaliation, wage and hour violations, or sexual assault, that is recognized as illegal under state, federal, or common law, or that is recognized as against a clear mandate of public policy, occurring in the workplace, at work-related events coordinated by or through the employer, between employees, or between an employer and an employee, whether on or off the employment premises. Employee acknowledges that certain whistleblower laws permit Employee to communicate directly with governmental or regulatory authorities, including communications with the U.S. Securities and Exchange Commission about possible securities law violations, without the Company's permission or notification, and that the Company will not consider such communications to violate this or any other agreement between Employee and the Company or any Company policy. Employee acknowledges that under the U.S. Defend Trade Secrets Act of 2016, Employee will not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made in confidence to government officials, either directly or indirectly, or to an attorney, in each case solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding, provided such filing is made under seal.

7.3 Employee shall mark all items containing any of the Secrets with prominent confidentiality notices acceptable to the Company. Employee shall neither use nor allow any other person to use any of the Secrets in any way, except for the benefit of the Company and as directed by Employee's supervisor. All material containing or disclosing any portion of the Secrets shall be and remain the property of the Company, shall not be removed from the Company's premises without specific consent from an officer of the Company, and shall be returned to the Company upon the termination of Employee's employment or the earlier request Employee's supervisor. At such time, Employee shall also assemble all materials in his possession or control which contain any of the Secrets, and promptly deliver such items to the Company.

8. Authority and Non-Infringement. Employee warrants that any and all items, technology, and intellectual property of any nature developed or provided by Employee under this Agreement and in any way for or related to the Company will be original to Employee and will not, as provided to the Company or when used and exploited by the Company and its contractors and customers and its and their successors and assigns, infringe in any respect on the rights or property of Employee or any third party. Employee will not, without the prior written approval of the Company, use any equipment, supplies, facilities, or proprietary information of any other party. Employee warrants that Employee is fully authorized to enter into employment with the Company and to perform under this Agreement, without conflicting with any of Employee's other commitments, agreements, understandings or duties, whether to prior employers or otherwise. Employee will indemnify the Company for all losses, claims, and expenses (including reasonable attorneys' fees) arising from any breach of by him/her of this Agreement.

9. Work Product and Copyrights. Employee agrees that all right, title and interest in and to the materials resulting from the performance of Employee's duties at Employer and all copies thereof, including works in progress, in whatever media, (the

“Work”), will be and remain in Employer upon their creation. Employee will mark all Work with Employer’s copyright or other proprietary notice as directed by Employer. Employee further agrees:

9.1 To the extent that any portion of the Work constitutes a work protectable under the copyright laws of the United States (the “Copyright Law”), that all such Work will be considered a “work made for hire” as such term is used and defined in the Copyright Law, and that Employer will be considered the “author” of such portion of the Work and the sole and exclusive owner throughout the world of such copyright; and

9.2 If any portion of the Work does not qualify as a "work made for hire" as such term is used and defined in the Copyright Law, that Employee hereby assigns and agrees to assign to Employer, without further consideration, all right, title and interest in and to such Work or in any such portion of such Work and any copyright in such Work and further agrees to execute and deliver to Employer, upon request, appropriate assignments of such Work and copyright in such Work and such other documents and instruments as Employer may request to fully and completely assign such Work and copyright in such Work to Employer, its successors or nominees, and that Employee appoints Employer as attorney-in-fact to execute and

deliver any such documents on Employee's behalf in the event Employee should fail or refuse to do so within a reasonable period following Employer's request.

10. Inventions and Patents. For purposes of this Agreement, "Inventions" includes, without limitation, information, inventions, contributions, improvements, ideas, or discoveries, whether protectable or not, and whether or not conceived or made during work hours. Employee agrees that all Inventions conceived or made by Employee during the period of employment with Employer belong to Employer, provided they grow out of Employee's work with Employer or are related in some manner to the Business, including, without limitation, research and product development, and projected business of Employer or its affiliated companies. Accordingly, Employee:

10.1 Will make adequate written records of such Inventions, which records will be Employer's property;

10.2 Does hereby assign to Employer any rights Employee may have to such Inventions for the U.S. and all foreign countries;

10.3 Will waive and agree not to assert any moral rights Employee may have or acquire in any Inventions and agree to provide written waivers from time to time as requested by Employer; and

10.4 Will assist Employer (at Employer's expense) in obtaining and maintaining patents or copyright registrations with respect to such Inventions.

Employee understands and agrees that Employer or its designee will determine, in its sole and absolute discretion, whether an application for patent will be filed on any Invention that is the exclusive property of Employer, as set forth above, and whether such an application will be abandoned prior to issuance of a patent.

Employee further agrees that Employee will promptly disclose in writing to Employer during the term of Employee's employment and for one (1) year thereafter, all Inventions whether developed during the time of such employment or thereafter (whether or not Employer has rights in such Inventions) so that Employee's rights and Employer's rights in such Inventions can be determined. Except as set forth on an initialed Exhibit B (List of Inventions) to this Agreement, if any, Employee represents and warrants that Employee has no Inventions, software, writings or other works of authorship useful to Employer in the normal course of the Business, which were conceived, made or written prior to the date of this Agreement and which are excluded from the operation of this Agreement. If no such Exhibit B is attached, Employee represents and warrants that no such Inventions exist.

NOTICE: Pursuant to Washington law, this Section 10 does not apply to Inventions for which no equipment, supplies, facility, or trade secret information of Employer was used and which was developed entirely on Employee's own time, unless: (a) the Invention relates (i) directly to the business of Employer or (ii) to Employer's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by Employee for Employer.

11. Remedies. Notwithstanding other provisions of this Agreement regarding dispute resolution, Employee agrees that Employee's violation of any of Sections 6, 7, 8, 9 or 10 of this Agreement would cause Employer irreparable harm which would not be adequately compensated by monetary damages and that an injunction may be granted by any court or courts having jurisdiction, restraining Employee from violation of the terms of this Agreement, upon any breach or threatened breach of Employee of the obligations set forth in any of Sections 6, 7, 8, 9 or 10. The preceding sentence shall not be construed to limit Employer from any other relief or damages to which it may be entitled as a result of Employee's breach of any provision of this Agreement, including Sections 6, 7, 8, 9 or 10. Employee also agrees that a violation of any of Sections 6, 7, 8, 9 or 10 would entitle Employer, in addition to all other remedies available at law or equity, to recover from Employee any and all funds, including, without limitation, wages, salary and profits, which will be held by Employer in constructive trust for Employer, received by Employer in connection with such violation.

12. Dispute Resolution. Except for the right of Employer and Employee to seek injunctive relief in court, any controversy, claim or dispute of any type arising out of or relating to Employee's employment or the provisions of this Agreement shall be resolved in accordance with this Section 12 regarding resolution of disputes, which will be the sole and exclusive procedure for the resolution of any disputes. This Agreement shall be enforced in accordance with the Federal Arbitration Act, the enforcement provisions of which are incorporated by this reference. Matters subject to these provisions include, without limitation, claims or disputes based on statute, contract, common law and tort and will include, for example, matters pertaining to termination, discrimination, harassment, compensation and benefits. Matters to be resolved under these procedures also include claims and disputes arising out of statutes such as the Fair Labor Standards Act, Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Washington Minimum Wage Act, and the Washington Law Against Discrimination. Nothing in this provision is intended to restrict Employee from submitting any matter to an administrative agency with jurisdiction over such matter.

12.1 Mediation. Employer and Employee will make a good faith attempt to resolve any and all claims and disputes by submitting them to mediation in Seattle, Washington before resorting to arbitration or any other dispute resolution procedure. The mediation of any claim or dispute must be conducted in accordance with the then-current JAMS procedures for the resolution of employment disputes by mediation, by a mediator who has had both training and experience as a mediator of general employment and commercial matters. If the Parties to this Agreement cannot agree on a mediator, then the mediator will be selected by JAMS in accordance with JAMS' strike list method. Within thirty (30) days after the selection of the mediator, Employer and Employee and their respective attorneys will meet with the mediator for one mediation session of at least four hours. If the claim or dispute cannot be settled during such mediation session or mutually agreed continuation of the session, either Employer or Employee may give the mediator and the other party to the claim or dispute written notice declaring the end of the mediation process. All discussions connected with this mediation provision will be confidential and treated as compromise and settlement discussions. Nothing disclosed in such discussions, which is not independently discoverable, may be used for any purpose in any later proceeding. The mediator's fees will be paid in equal portions by Employer and Employee, unless Employer agrees to pay all such fees.

12.2 Arbitration. If any claim or dispute has not been resolved in accordance with Section 12.1, then the claim or dispute will be determined by arbitration in accordance with the then-current JAMS employment arbitration rules and procedures, except as modified herein. The arbitration will be conducted by a sole neutral arbitrator who has had both training and experience as an arbitrator of general employment and commercial matters and who is and for at least ten (10) years has been, a partner, a shareholder, or a member in a law firm. If Employer and Employee cannot agree on an arbitrator, then the arbitrator will be selected by JAMS in accordance with Rule 15 of the JAMS employment arbitration rules and procedures. No person who has served as a mediator under the mediation provision, however, may be selected as the arbitrator for the same claim or dispute. Reasonable discovery will be permitted and the arbitrator may decide any issue as to discovery. The arbitrator may decide any issue as to whether or as to the extent to which any dispute is subject to the dispute resolution provisions in Section 12 and the arbitrator may award any relief permitted by law. The arbitrator must base the arbitration award on the provisions of Section 12 and applicable law and must render the award in writing, including an explanation of the reasons for the award. Judgment upon the award may be entered by any court having jurisdiction of the matter, and the decision of the arbitrator will be final and binding. The statute of limitations applicable to the commencement of a lawsuit will apply to the commencement of an arbitration under Section 12.2. The arbitrator's fees will be paid in equal portions by Employer and Employee, unless Employer agrees to pay all such fees.

13. Fees Related to Dispute Resolution. Unless otherwise agreed, the prevailing party will be entitled to its costs and attorneys' fees incurred in any litigation or dispute relating to the interpretation or enforcement of this Agreement.

14. Disclosure. Employee agrees fully and completely to reveal the terms of this Agreement to any future employer or potential employer of Employee and authorizes Employer, at its election, to make such disclosure.

15. Representation of Employee. Employee represents and warrants to Employer that Employee is free to enter into this Agreement and has no contract, commitment, arrangement or understanding to or with any party that restrains or is in conflict with Employee's performance of the covenants, services and duties provided for in this Agreement. Employee agrees to indemnify Employer and to hold it harmless against any and all liabilities or claims arising out of any unauthorized act or acts by Employee that, the foregoing representation and warranty to the contrary notwithstanding, are in violation, or constitute a breach, of any such contract, commitment, arrangement or understanding.

16. Conditions of Employment. Employer's obligations to Employee under this Agreement are conditioned upon Employee's timely compliance with requirements of the United States immigration laws.

17. Assignability. During Employee's employment, this Agreement may not be assigned by either party without the written consent of the other; provided, however, that Employer may assign its rights and obligations under this Agreement without Employee's consent to a successor by sale, merger or liquidation, if such successor carries on the Business substantially in the form in which it is being conducted at the time of the sale, merger or liquidation. This Agreement is binding upon Employee, Employee's heirs, personal representatives and permitted assigns and on Employer, its successors and assigns.

18. Notices. Any notices required or permitted to be given hereunder are sufficient if in writing and delivered by hand, by facsimile, by registered or certified mail, or by overnight courier, to Employee at [REDACTED] or to the Chair of the Board of Employer at 6645 185th Avenue NE, #100, Redmond, Washington 98052 (corporate address). Notices shall be deemed to have been given (i) upon delivery, if delivered by hand, (ii) seven days after mailing, if mailed, (iii) one business day after delivery, if delivered by courier, and (iv) one business day following receipt of an appropriate electronic confirmation, if by facsimile.

19. Severability. If any provision of this Agreement, or portion of any provision of this Agreement, or compliance by any of the Parties with any provision of this Agreement constitutes a violation of any law, or is or becomes unenforceable or void, then such provision, to the extent only that it is in violation of law, unenforceable or void, shall be deemed modified to the extent necessary so that it is no longer in violation of law, unenforceable or void, and such provision will be enforced to the fullest extent permitted by law. The Parties shall engage in good faith negotiations to modify and replace any provision which is declared invalid or unenforceable with a valid and enforceable provision, the economic effect of which comes as close as possible to that of the invalid or unenforceable provision which it replaces. If such modification is not possible, said provision, to the extent that it is in violation of law, unenforceable or void, shall be deemed severable from the remaining provisions of this Agreement, which provisions will remain binding on the Parties.

20. Waivers. No failure on the part of either party to exercise, and no delay in exercising, any right or remedy hereunder will operate as a waiver thereof; nor will any single or partial waiver of a breach of any provision of this Agreement operate or be construed as a waiver of any subsequent breach; nor will any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy granted hereby or by law.

21. Governing Law. Except as provided in Section 11 above, the validity, construction and performance of this Agreement shall be governed by the laws of the State of Washington without regard to the conflicts of law provisions of such laws.

22. 409A Savings Clause. The Parties intend that payments or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A of the Code ("Section 409A"), and the provisions of this Agreement shall be construed and administered in accordance with such intent. To the extent such potential payments or benefits could become subject to Section 409A, the Parties shall cooperate to amend this Agreement with the goal of giving Employee the economic benefits described herein in a manner that does not result in such tax being imposed. If the Parties are unable to agree on a mutually acceptable amendment, the Company may, without Employee's consent and in such manner as it deems appropriate or desirable, amend or modify this Agreement or delay the payment of any amounts hereunder to the minimum extent necessary to meet the requirements of Section 409A.

23. Section 280G. Notwithstanding any other provision of this Agreement to the contrary, in the event that the benefits provided for herein or otherwise payable to Employee (i) constitute "parachute payments" within the meaning of Code Section 280G, and (ii) but for this paragraph, would be subject to the excise tax imposed by Code Section 4999, then, Employee's payments and benefits shall be payable either (A) in full, or (B) as to such lesser amount which would result in no portion of such benefits being subject to the excise tax under Code Section 4999, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Code Section 4999, results in the receipt by Employee on an after-tax basis, of the greatest amount of payments and benefits under this Agreement and otherwise, notwithstanding that all or some portion of such benefits may be taxable under Code Section 4999. Any reduction shall be made in the following manner: (I) first, a pro rata reduction of (1) cash payments subject to Code Section 409A as deferred compensation and (2) cash payments not subject to Code Section 409A, and (II) second, a pro rata cancellation of (1) equity-based compensation subject to Code Section 409A as deferred compensation and (2) equity-based compensation not subject to Code Section 409A. Reduction in either cash payments or equity compensation benefits shall be made pro rata between and among benefits which are subject to Code Section 409A and benefits which are exempt from Code Section 409A. Unless the Company and Employee otherwise agree in writing, any determination required under this paragraph shall be made in writing by the Company's independent public accountants or other reputable independent firm specializing in Section 280G calculations or analysis, in each case as reasonably acceptable to Employee (the "Accountants"), whose determination shall be conclusive and binding upon Employee and the Company for all purposes. For purposes of making the calculations required by this paragraph, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company and Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this paragraph. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this paragraph. In addition to the foregoing, if immediately prior to the consummation of the transaction, the Company's stock is not readily tradable on an established securities market and Employee agrees to waive that portion of

any payments or benefits that exceeds one dollar (\$1.00) less than three times Employee's "base amount" (as determined in accordance with Treasury Regulation Section 1.280G-1), the Company shall use its commercially reasonable efforts to solicit (in a manner which satisfies all applicable requirements of Code Section 280G(b)(5)(B) and the Treasury Regulations thereunder) the approval by such number of stockholders of the Company satisfying the same.

24. Counterparts. This agreement may be executed in counterpart in different places, at different times and on different dates, and in that case all executed counterparts taken together collectively constitute a single binding agreement.

25. Costs and Fees Related to Negotiation and Execution of Agreement. Each Party shall be responsible for the payment of its own costs and expenses, including legal fees and expenses, in connection with the negotiation and execution of this Agreement. Neither Party will be liable for the payment of any commissions or compensation in the nature of finders' fees or brokers' fees, gratuity or other similar thing or amount in consideration of the other Party entering into this Agreement to any broker, agent or third party acting on behalf of the other Party.

26. Entire Agreement. This instrument contains the entire agreement of the Parties with respect to the relationship between Employee and Employer and supersedes all prior agreements and understandings, and there are no other representations or agreements other than as stated in this Agreement related to the terms and conditions of Employee's employment. This Agreement may be changed only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought, and any such modification will be signed by either the Chair of the Board of Employer or the Vice President and CFO of Employer, after approval of the Chair of the Board of Employer.

IN WITNESS WHEREOF, the Parties have duly signed and delivered this Agreement as of the day and year first above written.

EMPLOYER
DATA I/O CORPORATION:

By /s/ Gerald Y. Ng
Title: Vice President and CFO

EMPLOYEE

/s/ William Wentworth
Print Name: /s/ William Wentworth

EXHIBIT A

INITIAL DUTIES AND RESPONSIBILITIES

Role is responsible for providing strategic financial and operational leadership for the company, specifically overseeing the sales organization and leaning on other executive leaders in the organization for oversight of finance, engineering, manufacturing, and other key functions. Most importantly, the CEO will be a people-oriented and effective leader with the desire to drive growth and expand the business beyond traditional methods.

Responsibilities and Duties

- Plan, develop, implement and direct the organization's operational and fiscal function and performance.
- Work closely with the Board of Directors, making recommendations on business strategy and plans, and ensuring such strategies align with the objectives of the company.
- Partner with the CFO, to analyze the effectiveness of long-term growth initiatives, planning, new strategies and regulatory actions.
- Plan and guide the implementation of policies and procedures that will increase the financial and operational effectiveness of the company.
- Answer to the Board of Directors as well as company shareholders regarding the financial performance and strategic plan of the company.
- Effectively communicate and establish credibility throughout the organization and with the Board of Directors.
- Work to develop and carry out sound solutions to business challenges.
- Provide guidance to, and manage, others in executive leadership roles.
- Optimize the handling of banking relationships and work closely with the CFO to foster and grow strategic financial partnerships.
- Provide strategic input and leadership on the evaluation of potential mergers, acquisitions or partnerships.
- Partner with other executive leaders on contract development & management.
- Act as a corporate representative and negotiator with key business partners.

Preferred Qualifications and Skills

- Degree in business, engineering, finance or related discipline from an accredited university.
- 15+ years of senior executive management experience with a track record of success.
- Industry experience related to manufacturing, software, and hardware development.
- Public company experience
- Multinational exposure and capital markets experience, preferred.
- Hands-on, highly effective, results-driven, efficient and detail-oriented
- Excellent people skills with ability to work with a dynamic leadership team

Location - The CEO will be based at the corporate headquarters but will allow for appropriate travel.

EXHIBIT B
LIST OF INVENTIONS

TRANSITION AGREEMENT

This Transition Agreement ("Agreement") is presented on August 19, 2024 and entered into by Anthony Ambrose ("Employee") and Data I/O Corporation, a Washington corporation ("Employer"). Employee and Employer wish to enter into an agreement pertaining to the termination of Employee's employment in order to effect an orderly transition.

AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises contained below, it is agreed as follows:

RETIREMENT DATE. The last day of Employee's employment with Employer and Employee's retirement date ("Retirement Date") will be the earlier of (a) October 15, 2024, or (b) termination of Employee by Employer for any reason other than "For Cause". "For Cause" means (i) intentional violation of this Agreement, (ii) intentional violation of any material Employer policy, (iii) intentional violation of any statute, rule or regulation, any of which in the reasonable judgment of the Employer is materially harmful to the Employer's business or reputation. Employee shall execute and submit to Employer as a condition precedent to this Agreement a written resignation in substantially the form of Exhibit A ("Written Resignation"). Employee shall claim no further right to employment by Employer beyond the Retirement Date and shall claim no right to serve on Employer's Board of Directors after October 31, 2024. Nothing in this Agreement is intended or should be construed as an admission of wrongdoing or liability by any party.

2. ORDERLY TRANSITION. As part of the orderly transition of Employee's duties and responsibilities as President and Chief Executive Officer ("CEO"), Employee will no longer serve as President effective September 1, 2024 and will turn over those duties and responsibilities to the new President. Effective October 1, 2024, Employee will no longer serve as CEO and will turn over those duties to the new CEO. During the period of October 1, 2024 through October 15, 2024, Employee will continue to provide reasonable assistance to the new President and CEO and will continue to be an employee of Employer, but Employee will no longer be an Executive Officer of Employer. During the period from the Retirement Date, up to one year following the Retirement Date, Employee shall continue to provide reasonable telephonic transition assistance, as mutually agreed and at mutually agreeable times, to the new President and CEO and the Board of Directors. Employee may provide additional consulting services as needed and to be mutually agreed upon.

3. PAYMENTS AND BENEFITS. Employee shall be paid his usual and customary benefits and compensation due him for services provided on or before the Retirement Date and subject to the terms of Employer's benefits plans, plus unused accrued vacation as of the Retirement Date. Employer shall provide Employee with the following compensation and benefits following termination:

A. Employee's medical benefits shall continue until the last day of the month of the Retirement Date and Employee may exercise whatever rights Employee may have to continuation of medical benefits under the Employer's medical plan under COBRA;

B. Out of pocket expenses previously incurred by Employee on Employer business shall be reimbursed in accordance with Employer policies regarding the reimbursement of business expenses, provided that Employee provides a request for such expenses together with related receipts or other suitable documentation with thirty (30) days of the Retirement Date;

C. Employee's rights under Employer's stock purchase plan and stock option plan(s) shall be as stated in such Plans;

D. Employee's account under Employer's 401(k) plan upon termination shall be handled in accordance with the terms and conditions of that plan; and

E. Director's and Officer's Insurance coverage will be maintained by Employer generally consistent with Employer's prior practices.

Except as stated herein, any and all other payments and benefits offered by Employer to Employee cease on the Retirement Date.

4. ADDITIONAL CONSIDERATION. In addition to the compensation identified in Paragraph 3, provided that Employee's employment is not terminated For Cause, and in consideration for Employee's covenants and waiver and releases, Employer will provide Employee with the following payments, benefits, and other consideration:

A. Employer shall make transition payments equal to one (1) year of Employee's salary totaling \$347,000 ("Transition Payments"), in 24 approximately equal amounts to be paid as salary continuation starting on the first Employer payroll date following the eighth day after Employee executes and delivers to Employer the Second Release, as described below, provided the Second Release is executed within twenty-one (21) days following October 31, 2024 but no earlier than November 1, 2024, and is not rescinded or revoked within seven (7) days of execution and delivery of the Second Release. Transition Payments will not be included as compensation in determining employee benefits.

B. Employer shall withhold lawful withholding taxes from any amounts payable under this Agreement.

C. In the event of a "Control Event", immediately prior to the "Event Date", as both terms are defined in the Amended and Restated Executive Agreement with Employer dated January 31, 2023, the remaining balance of the Transition Payments will be due and payable to Employee. Notwithstanding the foregoing, a transaction will not be deemed a Control Event unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Except as provided by this Agreement, Employer is not obligated to make the payments and other consideration described in Paragraph 4A, and Employer does so only as consideration for the covenants and release of claims. Such payments and consideration constitute adequate consideration for the covenants and releases set forth in or required by this Agreement. Employer's obligation to provide the consideration set forth in this Paragraph 4 are conditioned upon all of the following: 1) Employee's execution of this Agreement and delivery of this Agreement to Employer in accordance with its terms and conditions; 2) Employee not revoking or rescinding this Agreement; 3) Employee materially complying with his obligations under this Agreement; 4) Employee's execution of the Written Resignation and delivery to Employer of the Written Resignation prior to the expiration of this offer; and 5) Employee executing and delivering a waiver and release in substantially the form of Exhibit B ("Second Release") within twenty-one (21) days following October 31, 2024 but no earlier than November 1, 2024, and not rescinding or revoking the Second Release. If Employer has provided to Employee any of the consideration set forth in this Paragraph 4A, and Employee subsequently rescinds or revokes this Agreement or fails to meet other conditions precedent to this Agreement, Employer shall be entitled to the repayment of all such consideration, and Employer may withhold or deduct amounts owed from amounts owed to Employee by Employer. Other than those benefits and payments specified in this Agreement, Employer shall have no obligation to provide and shall provide no further payments or benefits of any kind to Employee. Employee specifically acknowledges and agrees that Employer has made no representations to him regarding the tax consequences of any amounts received by Employee or for Employee's benefit pursuant to this Agreement. Employee agrees to pay all taxes and/or tax assessments due to be paid by Employee, and to indemnify Employer for any claims, costs and/or penalties caused by Employee's failure to pay such taxes and/or tax assessments.

5. **EMPLOYER PROPERTY.** Employee represents and warrants that, on or before October 31, 2024, Employee will turn over to Employer all files, memoranda, records, keys, credit cards, manuals, and other documents, including electronically recorded documents and data, and physical property, which Employee received from Employer or its affiliates or their employees or which Employee generated in the course of Employee's employment with Employer. Employee may retain Employee's laptop computer hardware, all documents received from Employer regarding Employee's rights or benefits as an employee of Employer, including his Amended and Restated Executive Agreement with Employer dated January 31, 2023, Indemnification Agreement with Employer dated October 25, 2012, Articles and Bylaws (as reference material regarding his indemnification rights), employment manual, 401(k) materials, COBRA materials and notices, Employer's stock option plan(s) and stock purchase plan, and other similar documents. Employee may also retain personal emails and emails related to professional organizations, board of directors' business with Cipherloc and SideChannel, and EvergreenHealth Foundation, and any other items not related to Employer's business, even if such items have been received at aambrose@dataio.com. Employee is responsible for the process of retention of Employee's personal emails, but Employer's IT Department will provide reasonable assistance to Employee.

6. **RELEASE OF CLAIMS.** On behalf of himself, his marital community, his domestic partnership, and his heirs, executors, administrators and assigns, Employee expressly waives against Employer and its present and former affiliates, successors, subsidiaries, related entities and their present and former officers, directors, stockholders, managers, employees, agents, representatives, and attorneys (all of which are collectively referred to as "Released Parties") any and all claims which occurred or which could be alleged to have occurred on the date of or prior to the execution of this Agreement. Employee releases Released Parties, individually and in their representative capacities, from any claims or disputes, whether presently known or unknown, that occurred or could be alleged to have occurred on the date of or prior to the execution of this Agreement. It is understood that this waiver and release includes, but is not limited to, any and all claims for wages, employment benefits, and damages of any kind whatsoever arising out of any: contracts, express or implied including the Amended and Restated Executive Agreement with Employer dated January 31, 2023; Offer Letter with Employer dated October 17, 2012; any covenant of good faith and fair dealing; estoppel or misrepresentation; discrimination, including age, sex or disability discrimination; harassment; unjust enrichment; libel; slander; wrongful termination or any legal restriction on Employer's right to terminate the employment of Employee; any federal, state, local or other governmental statute or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964 as amended, the Fair Labor Standards Act, the Family and Medical Leave Act, the Americans with Disabilities Act, the Genetic Information Nondiscrimination Act of 2008, and the Age Discrimination in Employment Act; Washington Law Against Discrimination and the Washington Minimum Wage Act; or any other legal limitation on the employment relationship. Employee acknowledges that Released Parties are in no way liable for any claims described in this paragraph and Employee agrees not to take any position inconsistent with this acknowledgment. Excluded from this release are claims Employee may have with regard to vested benefits under ERISA, workers' compensation claims, claims arising under this Agreement, claims for indemnification in accordance with Employee's Indemnification Agreement with Employer dated October 25, 2012, Employer's officers and directors insurance policies or Employer's Articles of Incorporation and By-Laws, rights as a shareholder of Employer, rights in any vested stock options or restricted stock, and any other claim which may not be released in accordance with law. This release specifically excludes claims, charges, complaints, causes of action or demands that post-date the execution date of this Agreement and that are based on factual allegations that do not arise from or relate to Employee's present employment with or separation from the Employer. Employee represents that Employee has not filed any complaints, charges or lawsuits against any of the Released Parties with any governmental agency or court.

7. **RESTRICTIVE COVENANTS.**

A. Employee shall not use or disclose, either directly or indirectly, any non-public strategic, financial, technical, marketing, sales, operating, or other proprietary information of Employer or its affiliates, except for the benefit of or on behalf of Employer. Employee agrees to keep the terms of this Agreement (including but not limited to the fact and amount of consideration under this Agreement) completely confidential, and will not disclose any information concerning this Agreement or its terms to anyone other than Employee's spouse, domestic partner, legal counsel and/or financial advisors, who will be informed of and bound by this confidentiality clause. Employee's obligations under this Paragraph 7A are unlimited in time and geographical scope. This provision does not restrict Employee from making disclosures as may be required by law or legal process or from disclosing the terms of this Agreement if Employer has disclosed such terms as may be required by law or legal process.

B. Employee agrees that he will not, during the period from the effective date of this Agreement until one (1) year following October 31, 2024 ("the Restricted Period"), in any capacity directly or indirectly engage in, assist others to engage in or own a material interest in any business or activity that is, or is preparing to be, in competition with Employer with respect to any product or service sold or service provided by Employer up to the time of termination of employment in any geographical area in which at the time of termination of employment such product or service is sold or actively is engaged in.

C. Employee further agrees that during the Restricted Period he will not directly or indirectly call on, reveal the name of, or otherwise solicit, accept business from or attempt to entice away from Employer any actual or identified potential customer of the Employer, nor will he assist others in doing so. Employee further agrees that he will not, during the Restricted Period, encourage or solicit any other employee or consultant of the Employer to leave such employment for any reason, nor will he assist others to do so.

D. Employee acknowledges that the covenants in this Paragraph 7 are necessary and reasonable to protect Employer in the conduct of its businesses and that compliance with such covenants will not prevent Employee from pursuing his livelihood. However, should any court find that any provision of such covenants is unreasonable, invalid or unenforceable, whether in period of time, geographical area, or otherwise, then in that event the parties hereby agree that such covenants shall be interpreted and enforced to the maximum extent which the court deems reasonable. The harm to the Employer from any breach of Employee's obligations under this Agreement may be difficult to determine and may be wholly or partially irreparable, and Employee agrees that such obligations may be enforced by injunctive relief and other appropriate remedies, as well as by damages. If any bond from Employer is required in connection with such enforcement, the parties agree that a reasonable value of such bond shall be \$5,000. Any amounts received by Employee or by any other through Employee in breach of this Agreement shall be held in constructive trust for the benefit of Employer.

8. COMMUNICATIONS. Employee shall not make any statements or take any actions to disparage or undermine the reputation of Employer, any officer of Employer or any member of the Employer's board of directors ("Employer's Officers and Directors"). After the Retirement Date, Employee shall refer all persons requesting references to the CEO of Employer, who shall provide information consistent with the content of any press releases announcing Employee's retirement. Employer will not make any statement or take any action to disparage or undermine the reputation of Employee, and will direct Employer's Officers and Directors not to make any statement or take any action to disparage or undermine the reputation of Employee.

9. REVIEW AND REVOCATION PERIOD. This offer shall remain open for twenty-one (21) days from the date upon which it is presented to Employee, after which it shall expire. Further, Employee affirms Employee's understanding that Employee has a period of seven (7) days from the date upon which Employee executes and delivers this Agreement to Employer to revoke Employee's acceptance of this Agreement. If Employee decides to rescind this Agreement, Employee is required to deliver to the undersigned representative of Employer within seven (7) days from execution and delivery of this Agreement a notice revoking Employee's acceptance of this Agreement. Employee agrees that modifications to this Agreement, whether material or immaterial, do not restart the running of the twenty-one (21) day period referenced above.

10. SEVERABILITY. If any provision or portion of a provision of this Agreement or compliance by any of the parties with any provision of this Agreement constitutes a violation of any law, or is or becomes unenforceable or void, then such provision, to the extent only that it is in violation of law, unenforceable or void, shall be deemed modified to the extent necessary so that it is no longer in violation of law, unenforceable or void, and such provision will be enforced to the fullest extent permitted by law. If such modification is not possible, said provision, to the extent that it is in violation of law, unenforceable or void, will be deemed severable from the remaining provisions of this Agreement, which provisions will remain binding on both Employee and the Employer.

11. PERMITTED DISCLOSURES. Nothing in this Agreement shall be interpreted to prohibit Employee from disclosing or discussing conduct that Employee reasonably believes to be illegal harassment, illegal discrimination, illegal retaliation, wage and hour violations, or sexual assault, that is recognized as illegal under state, federal, or common law, or that is recognized as against a clear mandate of public policy, occurring in the workplace, at work-related events coordinated by or through the employer, between employees, or between an employer and an employee, whether on or off the employment premises. Employee acknowledges that certain whistleblower laws permit Employee to communicate directly with governmental or regulatory authorities, including communications with the U.S. Securities and Exchange Commission about possible securities law violations, without the Employer's permission or notification, and that the Employer will not consider such communications to violate this or any other agreement between Employee and the Employer or any Employer policy. Employee acknowledges that under U.S. Defend Trade Secrets Act of 2016, Employee will not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made in confidence to government officials, either directly or indirectly, or to an attorney, in each case solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding, provided such filing is made under seal.

12. KNOWING AND VOLUNTARY AGREEMENT. Employee is hereby advised to consult an attorney of Employee's choice and has either done so or has knowingly waived the right to do so. Employee has carefully read this Agreement; knows the contents thereof; has had an opportunity to discuss it and its effects with Employee's attorney; understands that he is knowingly and voluntarily giving up all claims, damages or disputes as set forth in Paragraph 6 of this Agreement, including claims, damages and disputes under the Age Discrimination in Employment Act; has been afforded ample and adequate opportunity to review and analyze this entire Agreement; understands its contents and its final and binding effect; and has signed it as Employee's free and voluntary act. Employee represents and warrants that Employee is the sole and exclusive owner of all respective claims, demands and causes of action, and that no other party has any right, title or interest whatsoever in any of the matters referred to herein, and there has been no assignment, transfer, conveyance or other disposition by Employee of any matters referred to herein. Nothing in this Agreement shall be construed to prohibit Employee from filing a charge or complaint, including a challenge to the validity of the waiver provision of this Agreement, with the Equal Employment Opportunity Commission or participating in any investigation conducted by the Equal Employment Opportunity Commission. However, Employee has waived any right to monetary relief.

13. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding between Employee and Employer and supersedes any prior Agreements or understandings, express or implied, pertaining to the terms of Employee's employment with Employer and the termination of the employment relationship. This Agreement expressly supersedes and terminates the Amended and Restated Executive Agreement with Employer dated January 31, 2023, and Offer Letter with Employer, dated October 17, 2012. However, this Agreement does not supersede Employee's rights under the Indemnification Agreement, between Employer and Employee, dated October 25, 2012, or Employee's rights to indemnification and defense under Employer's Articles of Incorporation or Bylaws. Employee acknowledges that in executing this Agreement, Employee does not rely upon any representation or statement by any representative of Employer or any of the Released Parties concerning the subject matter of this Agreement, except as expressly set forth in the text of the Agreement. This Agreement may be amended only by a writing signed by Employee and the Vice President/CFO of the Employer, provided any such amendment must be approved by the Board of Directors of Employer.

14. SECTION 409A OF THE INTERNAL REVENUE CODE

A. General. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code ("Section 409A") (or an exemption thereto) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Employer be liable for any additional tax, interest, or penalty that may be imposed on the Employee by Section 409A or damages for failing to comply with Section 409A.

B. Installment Payments. For purposes of Section 409A, the Employee's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Employer.

C. No Offset. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Section 409A be subject to offset by any other amount unless otherwise permitted by Section 409A.

D. The parties intend that payments or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A, and the provisions of this Agreement shall be construed and administered in accordance with such intent. To the extent such potential payments or benefits could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving Employee the economic benefits described herein in a manner that does not result in such tax being imposed. If the parties are unable to agree on a mutually acceptable amendment, the Employer may, without Employee's consent and in such manner as it deems appropriate or desirable, amend or modify this Agreement or delay the payment of any amounts hereunder to the minimum extent necessary to meet the requirements of Section 409A.

15. OTHER. This Agreement will be governed by the laws of the State of Washington, excluding its choice of law provisions. The parties hereby consent to the exclusive jurisdiction and venue of the state or federal courts in King County, Washington for all matters and actions arising under this Agreement. The prevailing party shall be entitled to reasonable costs and attorney's fees incurred in connection with such litigation.

EMPLOYEE ACKNOWLEDGES AND AGREES THAT HE HAS CAREFULLY READ AND VOLUNTARILY SIGNED THIS AGREEMENT, THAT HE HAS HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF HIS CHOICE, AND THAT HE SIGNS THIS AGREEMENT WITH THE INTENT OF RELEASING DATA I/O CORPORATION AND ITS PRESENT AND FORMER AFFILIATES, SUCCESSORS, SUBSIDIARIES, RELATED ENTITIES AND THEIR PRESENT AND FORMER OFFICERS, DIRECTORS, STOCKHOLDERS, MANAGERS, EMPLOYEES, AGENTS, REPRESENTATIVES AND ATTORNEYS FROM ANY AND ALL CLAIMS.

ACCEPTED AND AGREED TO:
Employer

Employee

DATA I/O CORPORATION

By /s/ Gerald Y. Ng
Its Vice President & CFO
Date 08/19/2024

/s/ Anthony Ambrose
Anthony Ambrose
Date 08/19/2024

Exhibit A to Transition Agreement

Written Resignation

I hereby confirm my resignation effective on the Retirement Date, as defined in my Transition Agreement with Data I/O Corporation ("the Employer"), from all positions I hold as an officer of the Employer, including my positions as President and Chief Executive Officer of the Employer and all positions with affiliated companies.

I hereby resign effective on October 31, 2024, from my position as a member of the Board of Directors of the Employer and any affiliated companies.

/s/ Anthony Ambrose

Anthony Ambrose

Dated: August 19, 2024

Exhibit B to Transition Agreement

Waiver and Release

In consideration of the covenants and mutual consideration set forth in the Transition Agreement between Anthony Ambrose("Employee") and Data I/O Corporation ("Employer") dated _____, 2024 (the "Agreement"), and as inducement for Employer to perform under the Agreement, the undersigned Employee agrees as follows:

1. On behalf of himself, his marital community, his domestic partnership, and his heirs, executors, administrators and assigns, Employee expressly waives against Employer and its present and former affiliates, successors, subsidiaries, related entities and their present and former officers, directors, stockholders, managers, employees, agents, representatives, and attorneys (all of which are collectively referred to as "Released Parties") any and all claims which occurred or which could be alleged to have occurred on the date of or prior to the execution of this Waiver and Release. Employee releases Released Parties, individually and in their representative capacities, from any claims or disputes, whether presently known or unknown, that occurred or could be alleged to have occurred on the date of or prior to the execution of this Waiver and Release. It is understood that this Waiver and Release includes, but is not limited to, any and all claims for wages, employment benefits, and damages of any kind whatsoever arising out of any: contracts, express or implied including the Amended and Restated Executive Agreement with Employer dated January 31, 2023; Offer Letter with Employer dated October 17, 2012; any covenant of good faith and fair dealing; estoppel or misrepresentation; discrimination, including age, sex or disability discrimination; harassment; unjust enrichment; libel; slander; wrongful termination or any legal restriction on Employer's right to terminate the employment of Employee; any federal, state, local or other governmental statute or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964 as amended, the Fair Labor Standards Act, the Family and Medical Leave Act, the Americans with Disabilities Act, the Genetic Information Nondiscrimination Act of 2008, and the Age Discrimination in Employment Act; Washington Law Against Discrimination and the Washington Minimum Wage Act or any other legal limitation on the employment relationship. Employee acknowledges that Released Parties are in no way liable for any claims described in this paragraph and Employee agrees not to take any position inconsistent with this acknowledgment. Excluded from this Waiver and Release are claims Employee may have with regard to vested benefits under ERISA, workers' compensation claims, claims arising under the Agreement, claims arising under this Waiver and Release, claims for indemnification in accordance with the Employee's Indemnification Agreement with Employer dated October 25, 2012, Employer's officers and directors insurance policies or Employer's Articles of Incorporation and By-Laws, rights as a shareholder of Employer, rights in any vested stock options or restricted stock, and any other claim which may not be released in accordance with law. This release specifically excludes claims, charges, complaints, causes of action or demands that post-date the execution date of this Waiver and Release and that are based on factual allegations that do not arise from or relate to Employee's present employment with or separation from the Employer. Employee represents that Employee has not filed any complaints, charges or lawsuits against any of the Released Parties with any governmental agency or court.

2. REVIEW AND REVOCATION PERIOD. Employer hereby advises Employee to obtain counsel to assist in assessing this Waiver and Release.

Employee has at least twenty-one (21) days from the date upon which it is presented to Employee to execute this Waiver and Release, after which it shall expire. Further, Employee affirms Employee's understanding that Employee has a period of seven (7) days from the date upon which Employee executes and delivers this Waiver and Release to Employer to revoke Employee's acceptance of this Waiver and Release. If Employee decides to rescind this Waiver and Release, Employee is required to deliver to the undersigned representative of Employer within seven (7) days from execution and delivery of this Waiver and Release a notice revoking Employee's acceptance of this Waiver and Release. Employee agrees that modifications to this Waiver and Release, whether material or immaterial, do not restart the running of the twenty-one (21) day period referenced above.

3. SEVERABILITY. If any provision or part of any provision of this Agreement or compliance by any of the parties with any provision of this Agreement constitutes a violation of any law, or is or becomes unenforceable or void, then such provision, to the extent only that it is in violation of law, unenforceable or void, shall be deemed modified to the extent necessary so that it is no longer in violation of law, unenforceable or void, and such provision will be enforced to the fullest extent permitted by law. If such modification is not possible, said provision, to the extent that it is in violation of law, unenforceable or void, will be deemed severable from the remaining provisions of this Agreement, which provisions will remain binding on both Employee and the Employer.

4. KNOWING AND VOLUNTARY AGREEMENT. Employee is hereby advised to consult an attorney of Employee's choice and has either done so or has knowingly waived the right to do so. Employee has carefully read this Waiver and Release; knows the contents thereof; has had an opportunity to discuss it and its effects with Employee's attorney; understands that he is knowingly and voluntarily giving up all claims, damages or disputes as set forth in Paragraph 2 of this Waiver and Release, including claims, damages and disputes under the Age Discrimination in Employment Act; has been afforded ample and adequate opportunity to review and analyze this entire Waiver and Release; understands its contents and its final and binding effect; and has signed it as Employee's free and voluntary act. Employee agrees that adequate consideration exists to support this Waiver and Release. Employee represents and warrants that Employee is the sole and exclusive owner of all respective claims, demands and causes of action, and that no other party has any right, title or interest whatsoever in any of the matters referred to herein, and there has been no assignment, transfer, conveyance or other disposition by Employee of any matters referred to herein. Nothing in this Agreement shall be construed to prohibit Employee from filing a charge or complaint, including a challenge to the validity of the waiver provision of this Agreement, with the Equal Employment Opportunity Commission or participating in any investigation conducted by the Equal Employment Opportunity Commission. However, Employee has waived any right to monetary relief.

EMPLOYEE ACKNOWLEDGES AND AGREES THAT HE HAS CAREFULLY READ AND VOLUNTARILY SIGNED THIS WAIVER AND RELEASE, THAT HE HAS HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF HIS CHOICE, AND THAT HE SIGNS THIS AGREEMENT WITH THE INTENT OF RELEASING DATA I/O CORPORATION AND ITS PRESENT AND FORMER AFFILIATES, SUCCESSORS, SUBSIDIARIES, RELATED ENTITIES AND THEIR PRESENT AND FORMER OFFICERS, DIRECTORS, STOCKHOLDERS, MANAGERS, EMPLOYEES, AGENTS, REPRESENTATIVES AND ATTORNEYS FROM ANY AND ALL CLAIMS.

Dated this _____ day of _____, 2024.

Anthony Ambrose

CERTIFICATION

I, William Wentworth, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Data I/O Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATED: November 12, 2024

/s/ William Wentworth

William Wentworth

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Gerald Y. Ng, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Data I/O Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATED: November 12, 2024

/s/ Gerald Y. Ng

Gerald Y. Ng
Chief Financial Officer
(Principal Financial Officer)

Certification by Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Data I/O Corporation (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Wentworth, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William Wentworth

William Wentworth
Chief Executive Officer
(Principal Executive Officer)
November 12, 2024

Certification by Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Data I/O Corporation (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gerald Y. Ng, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gerald Y. Ng
Gerald Y. Ng
Chief Financial Officer
(Principal Financial Officer)
November 12, 2024