

Deswell Announces Second Half and Full Year Fiscal 2026 Results

- Company Announces Second Half Cash Dividend of \$0.10 Per Share And Special Cash Dividend of \$0.20 Per Share -

FOR IMMEDIATE RELEASE

MACAO (June 17, 2026) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its unaudited financial results for the second half of the fiscal year ended March 31, 2026.

Net sales for the six months ended March 31, 2026 were \$28.1 million, a decrease of 13.4% compared to net sales of \$32.4 million for the six months ended March 31, 2025. Net sales decreased by 27.0% to \$4.0 million in the plastic segment and decreased by 10.6% to \$24.1 million in the Company's electronic segment.

Total gross margin slightly increased to 21.1% during the six months ended March 31, 2026, as compared to 20.9% in the same period last year. For the plastic segment, gross profit margin decreased to 13.2% of net sales for the second half of fiscal 2026, as compared to 22.6% of net sales for the corresponding period of the last fiscal year. The decrease in gross profit margin in the plastic segment is mainly attributable to the decrease in sales revenues and increase in labor costs resulting from the raise in minimum hourly wage. Gross profit margin in the electronics segment increased to 22.4% in the second half of fiscal 2026, as compared to 20.6% in the second half of fiscal 2025. This was mainly due to higher-margin offerings, justified by enhanced value-added services delivered to customers, and continuous cost control measures in raw materials and labor costs.

Operating expense for the second half of fiscal 2026 was \$0.5 million, as compared to an operating income of \$1.5 million for the same period of fiscal 2025.

The Company reported net income of \$3.1 million for the six months ended March 31, 2026, as compared to net income of \$5.0 million for the six months ended March 31, 2025. Non-operating income for the six months ended March 31, 2026 was \$3.1 million, as compared to non-operating income of \$3.3 million in the six months ended March 31, 2025. Non-operating income during the six months ended March 31, 2026 was primarily comprised of a realized gain of \$693,000 on the sale of marketable securities, an increase of \$1,000,000 in fair value of the marketable securities, \$136,000 from rental income, \$494,000 on dividend income from securities investments, and \$790,000 from interest income, as compared to non-operating income primarily comprised of a realized gain of \$1,470,000 on the sale of marketable securities, an increase of \$202,000 in fair value of the marketable securities, \$144,000 from rental income, \$828,000 on dividend income from securities investments, and \$695,000 from interest income in the second half of fiscal 2025. Deswell reported basic and diluted income per share of \$0.20 for the second half of fiscal 2026 (based on 15,908,000 weighted average shares outstanding), as compared to basic and diluted income per share of \$0.31 (based on 15,935,000 weighted average shares outstanding), for the six months ended March 31, 2025.

Net sales for the year ended March 31, 2026 were \$61.3 million, a decrease of 9.3% compared to net sales of \$67.6 million for fiscal 2025. Operating income for the year ended March 31, 2026 decreased to \$2.0 million from \$3.3 million in fiscal 2025. The Company reported net income of \$10.6 million in fiscal 2026, as compared to net income of \$11.1 million for the year ended March 31, 2025. The decrease in net income was mainly attributable to decreases in other income in fiscal 2026, as compared to the prior fiscal year. Deswell reported basic and diluted net income per share of \$0.67 for fiscal 2026 (based on 15,922,000 weighted average shares outstanding), as compared to basic and diluted net income per share of \$0.70 (based on 15,935,000 and 15,953,000 weighted average shares outstanding, respectively), for the prior fiscal year.

The Company's financial position remained strong, with \$23.1 million in cash and cash equivalents and working capital totaling \$86.5 million as of March 31, 2026. Furthermore, the Company has no long-term or short-term borrowings as of March 31, 2026.

Mr. Edward So, Chief Executive Officer, commented, "During full year fiscal 2026, we remained focused on delivering high value products and services to our customers, delivering solid results despite continued elevated inflation which contributed to higher costs and reduced consumer spending, and rising raw material prices driven by strong AI industry demand. Nonetheless, we achieved improved margin performance in both the second half and for full year fiscal 2026, in part due to the successful reduction of internal operating costs through ongoing cost improvement initiatives. We strengthened our offerings during the year, with enhanced product design support and innovative collaboration, positioning us for stronger long-term partnerships moving forward.

"Our balance sheet remains strong, with a solid cash position and no debt providing us with the flexibility to continue supporting and expanding our customer base. As we move through fiscal 2027, our focus remains on growing our position in the outsourced manufacturing space and delivering continued profitably and shareholder value."

Second Half Dividend

The Company also announced that its board of directors today declared a cash dividend of \$0.10 per share and a special cash dividend of \$0.20 for the second half of the fiscal year ended March 31, 2026. The dividend will be payable on July 16, 2026 to shareholders of record as of July 2, 2026.

Dividends to be declared in the future will depend upon the Company's future growth and earnings, of which there can be no assurance, and the Company's cash flow needs for future development.

About Deswell

Deswell manufactures injection-molded plastic parts and components, electronic products and subassemblies, and metallic molds and accessory parts for original equipment manufacturers ("OEMs") and contract manufacturers at its factories in the People's Republic of China. The Company produces a wide variety of plastic parts and components used in the manufacture of consumer and industrial products; printed circuit board assemblies using surface mount ("SMT") and finished products such as telephones, professional audio equipment, home audio products, and Internet-of-Things (IoT) products.

To learn more about Deswell Industries, Inc., please visit the Company's website at www.deswell.com.

Forward-Looking Statements

Statements in this press release that are "forward-looking statements" are based on current expectations and assumptions that are subject to risks and uncertainties. For example, our statements regarding our expected growth in sales from the electronic division in the coming year and our efforts to reduce overhead costs in our plastic division are forward-looking statements. Actual results could differ materially because of the following factors, among others, which may cause revenues and income to fall short of anticipated levels or our overhead expenses to increase: our dependence on a few major customers; vigorous competition forcing product price reductions or discounts; the timing and amount of significant orders from our relatively few significant customers; continuing increases in resin prices that cannot be passed on to customers; unexpected production delays; obsolete inventory or product returns; losses resulting from fraudulent activity of our customers or employees; labor shortages that increase labor and costs; changes in the mix of product products we manufacture and sell; adverse currency fluctuations in the Renminbi and Hong Kong dollar when translated to US dollars; potential new accounting pronouncements; and the effects of travel restrictions and quarantines associated with major health problems, such as the Severe Acute Respiratory Syndrome, on general economic activity.

For further information regarding risks and uncertainties associated with the Company's business, please refer to the "Risk Factors" section of Company's Annual Report on Form 20-F, copies of which may be obtained from the Website maintained by the Securities and Exchange Commission at <http://www.sec.gov>.

All information in this release is made as of the date of this press release. Deswell undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in Deswell's expectations.

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DESWELL INDUSTRIES
CONSOLIDATED BALANCE SHEET
(U.S. dollars in thousands)

	March 31, <u>2026</u> (Unaudited)	March 31, <u>2025</u> (Audited)
ASSETS		
Current assets :		
Cash and cash equivalents	\$ 23,062	\$ 28,133
Time deposits with original maturities over three months	19,552	19,431
Time deposits with original maturities over twelve months - current	-	2,761
Marketable securities (note 2)	27,874	25,175
Held-to-Maturity Investment	11,846	-
Accounts receivable, net	11,433	9,914
Inventories, net (note 3)	11,750	9,462
Prepaid expenses and other current assets	1,375	1,612
Total current assets	106,892	96,488
Property, plant and equipment, net	22,326	23,385
Deferred tax assets	746	335
Time deposits with original maturing over twelve months	-	-
Total assets	\$ 129,964	\$ 120,208
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 6,842	\$ 5,740
Accrued payroll and employee benefits	8,833	7,779
Customer deposits	2,643	2,058
Other accrued liabilities	1,016	1,014
Income taxes payable	1,029	1,126
Total current liabilities	20,363	17,717
Deferred income tax liabilities	211	371
Total liabilities	20,574	18,088
 Shareholders' equity		
Common shares nil par value - authorized 30,000,000 shares, 17,081,810 shares issued as of March 31, 2025 and 2026; 15,935,239 shares outstanding as of March 31, 2025 ; 15,885,239 shares outstanding as of March 31, 2026;	53,202	53,202
Treasury stock at cost; 1,146,571 shares as of March 31, 2025 and 1,196,571 shares as of March 31, 2026	(2,990)	(2,821)
Additional paid-in capital	7,973	7,973
Accumulated other comprehensive income	5,316	5,316
Retained earnings	45,889	38,450
Total shareholders' equity	109,390	102,120
Total liabilities and shareholders' equity	\$ 129,964	\$ 120,208

DESWELL INDUSTRIES
CONSOLIDATED STATEMENT OF OPERATIONS & COMPREHENSIVE INCOME
(UNAUDITED)

(U.S. dollars in thousands, except per share data)

	Six Months ended March 31,		Year ended March 31,	
	<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
Net sales	\$ 28,102	\$ 32,434	\$ 61,332	\$ 67,610
Cost of sales	<u>22,171</u>	<u>25,655</u>	<u>47,613</u>	<u>53,967</u>
Gross profit	5,931	6,779	13,719	13,643
Selling, general and administrative expenses	6,122	5,876	11,554	11,280
Other (expense) income, net	<u>(342)</u>	<u>591</u>	<u>(184)</u>	<u>951</u>
Operating (expense) income	(533)	1,494	1,981	3,314
Non-operating income, net	<u>3,111</u>	<u>3,340</u>	<u>8,283</u>	<u>7,986</u>
Income before income taxes	2,578	4,834	10,264	11,300
Income taxes expense (benefit)	<u>(530)</u>	<u>(119)</u>	<u>(363)</u>	<u>162</u>
Net income attributable to Deswell Industries, Inc.	\$ 3,108	\$ 4,953	\$ 10,627	\$ 11,138
Other comprehensive income	\$ -	\$ -	\$ -	\$ -
Total comprehensive income attributable to Deswell Industries, Inc.	<u>\$ 3,108</u>	<u>\$ 4,953</u>	<u>\$ 10,627</u>	<u>\$ 11,138</u>
Net income per share attributable to Deswell Industries, Inc. (note 4)				
Basic:				
Net income per share	<u>\$ 0.20</u>	<u>\$ 0.31</u>	<u>\$ 0.67</u>	<u>\$ 0.70</u>
Weighted average common shares outstanding (shares in thousands)	<u>15,908</u>	<u>15,935</u>	<u>15,922</u>	<u>15,935</u>
Diluted:				
Net income per share	<u>\$ 0.20</u>	<u>\$ 0.31</u>	<u>\$ 0.67</u>	<u>\$ 0.70</u>
Weighted average common shares outstanding (shares in thousands)	<u>15,908</u>	<u>15,935</u>	<u>15,922</u>	<u>15,953</u>

DESWELL INDUSTRIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
(U.S. dollars in thousands)

(U.S. dollars in thousands)

	Year ended Mar 31,	
	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Net income	\$ 10,627	\$ 11,138
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,484	1,519
Reversal of credit losses, net	(2)	(67)
Allowance for obsolete inventories, net	(675)	(54)
(Gain) loss on disposal of property, plant and equipment	(29)	(38)
Unrealized holding loss (gain) on marketable securities	(1,931)	(3,163)
Gain on sale of marketable securities	(3,574)	(1,470)
Deferred income tax benefit	(571)	(21)
Scrip dividend received	-	(73)
Exchange loss arising from marketable securities	113	
Changes in operating assets and liabilities:		-
Accounts receivable	(1,517)	2,139
Inventories	(1,613)	2,721
Prepaid expenses and other current assets	237	(384)
Accounts payable	1,102	530
Accrued payroll and employee benefits	1,054	620
Customer deposits	585	346
Other accrued liabilities	2	(222)
Income taxes payable	(97)	13
Net cash provided by operating activities	5,195	13,534
Cash flows from investing activities		
Purchase of property, plant and equipment	(481)	(332)
Proceeds from sale of property, plant and equipment, net of transaction costs	85	69
Purchase of marketable securities	(10,034)	(3,090)
Proceeds from sales of marketable securities	12,727	5,647
Increase of fixed deposits with original maturities over three months	(121)	(5,452)
Decrease of fixed deposits with original maturities over twelve months	2,761	38
(Increase) decrease in held-to-maturity investment	(11,846)	5,157
Net cash (used in) generated by investing activities	(6,909)	2,037
Cash flows from financing activities		
Dividends paid	(3,188)	(3,188)
Repurchase of treasury stock	(169)	-
Net cash used in financing activities	(3,357)	(3,188)
Net increase (decrease) in cash and cash equivalents	(5,071)	12,383
Cash and cash equivalents, beginning of year	28,133	15,750
Cash and cash equivalents, end of year	23,062	28,133
Supplementary disclosures of cash flow information:		
Cash paid during the year for:		
Interest	-	-
Income taxes	339	156

