Deswell Announces First Half 2027 Results

- Company Announces First Half Cash Dividend of $0.10 Per Share -

FOR IMMEDIATE RELEASE

MACAO (November 12, 2026) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its unaudited financial results for the first six months of fiscal 2027, ended September 30, 2026.

Net sales for the six months ended September 30, 2026 were $33.0 million, a slightly decrease of 0.6% compared to net sales of $33.2 million for the six months ended September 30, 2025. Net sales increased by 17.7% to $5.9 million in the plastic segment and decreased by 3.9% to $27.2 million in the Company's electronic segment.

Total gross margin was 19.8% of net sales during the six months ended September 30, 2026, as compared to 23.4% for the corresponding period of last year. Gross margin in the plastic segment decreased to 12.9% of net sales in the segment for the first half of fiscal 2027, compared to 18.3% of net sales in the segment for the corresponding period of last fiscal year. As a percentage of sales, gross margin in the plastic segment decreased due to the appreciation of the Renminbi, increased labor costs resulting from the raise in minimum wage and social insurance costs in the first six months of fiscal 2027. Gross profit margin in the electronic segment decreased to 21.3% compared to 24.3% of net sales in the segment for the first half of last fiscal year. This was mainly due to the appreciation of the Renminbi, increased labor costs resulting from the raise in minimum wage and social insurance costs for the first six months of fiscal 2027. Operating income in the first half of fiscal 2027 was $0.9 million, compared to operating income of $2.5 million for the same period of fiscal 2026.

The Company reported net income of $5.0 million for the six months ended September 30, 2026, compared to net income of $7.5 million for the six months ended September 30, 2025. This was primarily due to a decrease in total gross margin and non-operating income for the six months ended September 30, 2026, as compared to the same period of fiscal 2026. Deswell reported basic and diluted income per share of $0.31 for the first half of fiscal 2027 (based on 15,885,000 weighted average shares outstanding), as compared to basic and diluted income per share of $0.47 for the first half of fiscal 2026 (based on 15,935,000 weighted average shares outstanding).

The Company's financial position remained strong, with $22.4 million in cash and cash equivalents and working capital totaling $87.0 million as of September 30, 2026. Furthermore, the Company has no long-term or short-term borrowings as of September 30, 2026.

Mr. Edward So, Chief Executive Officer, commented, "Revenue largely held steady in the first half of fiscal 2027 despite cautious end-market spending and subdued customer demand, reflecting the strength of our long-standing customer relationships. Supply chain volatility pushed back the timing of new product introductions, as extended component lead times and limited parts availability affected launch schedules. At the same time, renminbi appreciation raised our operating and locally sourced material costs, with mandated minimum wage increases adding to labor costs.

"Our focus is on what we can control. We're prioritizing operational efficiency, renegotiating supplier terms, and making selective investments in automation to protect margins while positioning ourselves for growth when customer demand improves. With a strong balance sheet, a solid cash position and no debt, we believe Deswell is well positioned to navigate the current economic environment to further drive shareholder value."

First Half Dividend

The Company also announced that its Board of Directors today declared a cash dividend of $0.10 per share for the first six months of fiscal 2027. The dividend will be payable on December 23, 2026 to shareholders of record as of December 2, 2026.

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, telephone answering machines, sophisticated studio-quality audio equipment and computer peripherals.

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 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)

ASSETS	September 30, 2026 (Unaudited)	March 31, 2026 (Audited)
Current assets:		
Cash and cash equivalents	$ 22,429	$ 23,062
Time deposits with original maturities over three months	14,488	19,552
Marketable securities (note 2)	36,488	27,874
Held-to-maturity investment	3,677	11,846
Accounts receivable, net	15,623	11,433
Inventories (note 3)	16,423	11,750
Prepaid expenses and other current assets	1,267	1,375
Total current assets	110,395	106,892
Property, plant and equipment, net	22,045	22,326
Deferred tax assets	759	746
Total assets	$ 133,199	$ 129,964
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 9,412	$ 6,842
Accrued payroll and employee benefits	9,204	8,833
Customer deposits	2,286	2,643
Other accrued liabilities	1,324	1,016
Income taxes payable	1,156	1,029
Total current liabilities	23,382	20,363
Deferred income tax liabilities	223	211
Total liabilities	23,605	20,574
Shareholders' equity		
Common shares nil par value; authorized 30,000,000 shares; 17,081,810 shares issued; 15,885,239 shares outstanding as of March 31, 2026 and September 30, 2026	53,202	53,202
Treasury stock at cost; 1,196,571 shares as of March 31, 2026 and September 30, 2026	(2,990)	(2,990)
Additional paid-in capital	7,973	7,973
Accumulated other comprehensive income	5,316	5,316
Retained earnings	46,093	45,889
Total shareholders' equity	109,594	109,390
Total liabilities and shareholders' equity	$ 133,199	$ 129,964

DESWELL INDUSTRIES
CONSOLIDATED STATEMENT OF OPERATIONS & COMPREHENSIVE INCOME
(UNAUDITED)
(U.S. dollars in thousands, except per share data)

	Six months ended September 30,	
	2026	2025
Net sales	$ 33,021	$ 33,230
Cost of sales	(26,479)	(25,442)
Gross profit	6,542	7,788
Selling, general and administrative expenses	(5,357)	(5,432)
Other (expense) income, net	(306)	158
Operating income	879	2,514
Non-operating income, net	4,264	5,172
Income before income taxes	5,143	7,686
Income taxes	(173)	(167)
Net income attributable to Deswell Industries, Inc.	$ 4,970	$ 7,519
Other comprehensive income	$ -	$ -
Comprehensive income attributable to Deswell Industries, Inc.	$ 4,970	$ 7,519
Net income per share attributable to Deswell Industries, Inc. (note 4)		
Basic:		
Net income per share	$ 0.31	$ 0.47
Weighted average common shares outstanding shares (in thousands)	15,885	15,935
Diluted:		
Net income per share	$ 0.31	$ 0.47
Weighted average number of shares outstanding (in thousands)	15,885	15,935

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

	Six months ended September 30, 2026	Six months ended September 30, 2025
Cash flows from operating activities:		
Net income	$ 4,970	$ 7,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	728	741
Provision for doubtful accounts	64	16
Allowance for obsolete inventories, net	(189)	(284)
Gain on disposal of property, plant and equipment	(4)	(26)
Unrealized holding gain on marketable securities	(2,782)	(930)
Realized loss (gain) on disposal of marketable securities	7	(2,881)
Deferred tax credit	(1)	(63)
Changes in operating assets and liabilities:		
Accounts receivable	(4,254)	(4,003)
Inventories	(4,484)	(384)
Prepaid expenses and other current assets	108	391
Accounts payable	2,570	1,523
Accrued payroll and employee benefits	371	635
Customer deposits	(357)	(203)
Other accrued liabilities	308	118
Income taxes payable	127	66
Net cash (used in) provided by operating activities	(2,818)	2,235
Cash flows from investing activities		
Purchase of property, plant and equipment	(455)	(326)
Proceeds from disposal of property, plant and equipment	12	42
Purchase of marketable securities	(6,119)	(7,450)
Proceeds from disposal of marketable securities	280	9,546
Decrease (increase) in fixed deposits with original maturities over three months	5,064	(1,785)
Decrease of fixed deposits with original maturities over twelve months	-	2,761
Decrease (increase) in held-to-maturity investment	8,169	(8,180)
Net cash provided by (used in) investing activities	6,951	(5,392)
Cash flows from financing activities		
Dividends paid	(4,766)	(1,594)
Net cash used in financing activities	(4,766)	(1,594)
Net decrease in cash and cash equivalents	(633)	(4,751)
Cash and cash equivalents, at beginning of period	23,062	28,133
Cash and cash equivalents, at end of period	22,429	23,382
Supplementary disclosures of cashflow information:		
Cash paid during the period for:		
Interest	-	-
Income taxes	56	170