

## Deswell Announces Second Half 2024 Results

### - Company Announces Second Half Cash Dividend of 0.10 Per Share -

#### **FOR IMMEDIATE RELEASE**

MACAO (June 20, 2024) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its unaudited financial results for the second half of the fiscal year ended March 31, 2024.

Net sales for the six months ended March 31, 2024 were \$31.6 million, a decrease of 4.4% compared to net sales of \$33.1 million for the six months ended March 31, 2023. Net sales decreased by 18.4% to \$6.1 million in the plastic segment and by less than one percent to \$25.5 million in the Company's electronic segment.

Total gross margin increased to 20.7% during the six months ended March 31, 2024, as compared to 17.3% in the same period last year. For the plastic segment, gross profit margin increased to 27.1% of net sales for the second half of fiscal 2024, as compared to 17.8% of net sales for the corresponding period of the last fiscal year. The increase in gross profit margin in the plastic segment is mainly attributable to decreased raw material and labor costs as a result of the depreciation of the renminbi, as well as the change of product mix. Gross profit margin in the electronics segment increased to 19.2% in the second half of fiscal 2024, as compared to 17.2% in the second half of fiscal 2023. The increase in gross profit margin in the electronics segment is the result of the depreciation of the renminbi, and decreased labor costs due to continuous cost control measures taken.

Operating income for the second half of fiscal 2024 increased from \$0.8 million in the second half of fiscal 2023 to \$1.5 million in the second half of fiscal 2024.

The Company reported net income of \$4.2 million for the six months ended March 31, 2024, as compared to net income of \$2.6 million for the six months ended March 31, 2023. Non-operating income for the six months ended March 31, 2024 was \$2.6 million, as compared to non-operating income of \$1.7 million in the six months ended March 31, 2023. Non-operating income during the six months ended March 31, 2024 was primarily comprised of \$884,000 from unrealized gain in marketable securities, \$260,000 from rental income, \$695,000 on dividend income from securities investments, and \$351,000 from other income, as compared to an unrealized gain of \$381,000 on marketable securities, rental income of \$330,000, dividend income of \$445,000 from securities investments and a realized gain of \$461,000 on the sale of marketable securities in the second half of fiscal 2023. Deswell reported basic and diluted income per share of \$0.26 for the second half of fiscal 2024 (based on 15,935,000 and 15,992,000 weighted average shares outstanding, respectively), as compared to basic and diluted income per share of \$0.16 (based on 15,935,000 and 16,000,000 weighted average shares outstanding, respectively), for the six months ended March 31, 2023.

Net sales for the year ended March 31, 2024 were \$69.4 million, a decrease of 10.5% compared to net sales of \$77.5 million for fiscal 2023. Operating income for the year ended March 31, 2024 increased to \$3.8 million from \$2.9 million in fiscal 2023. The Company reported net income of \$7.7 million in fiscal 2024, as compared to net income of \$2.1 million for the year ended March 31, 2023. The increase in net income was mainly attributable to the increases in gross profit and non-operating income for fiscal 2024, as compared to the prior fiscal year. Deswell reported basic and diluted net income per share of \$0.48 for fiscal 2024 (based on 15,935,000 and 15,999,000 weighted average shares outstanding, respectively), as compared to basic and diluted net income per share of \$0.13 (based on 15,935,000 and 16,072,000 weighted average shares outstanding, respectively), for the prior fiscal year.

The Company's financial position remained strong, with \$15.8 million in cash and cash equivalents and working capital totaling \$66.8 million as of March 31, 2024. Furthermore, the Company has no long-term or short-term borrowings as of March 31, 2024.

Mr. Edward So, Chief Executive Officer, commented, “We continued to see sales pressure in the back half of fiscal 2024, related to consumer caution around discretionary purchases as the worldwide economy continues to contend with an inflationary environment. Nonetheless, we were pleased to achieve improved margin performance as well as enhanced profitability in both the last six months of fiscal 2024 and for full year 2024. Our margin performance was favorably impacted by a decrease in labor and materials costs associated with the depreciation of the renminbi, changes to our product mix, and the effect of the cost control measures we have undertaken.

“Our balance sheet is strong, reflecting a solid cash position and no debt providing us with the resources to focus on increasing our customer base and recognition in the industry as a dependable and effective partner for outsourced manufacturing operations.”

## **Second Half Dividend**

The Company also announced that its board of directors today declared a cash dividend of \$0.10 per share for the second half of the fiscal year ended March 31, 2024. The dividend will be payable on July 19, 2024 to shareholders of record as of July 5, 2024.

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](http://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, INC.**  
**CONSOLIDATED BALANCE SHEET**  
**(U.S. dollars in thousands)**

	March 31, <u>2024</u> (Unaudited)	March 31, <u>2023</u> (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 15,750	\$ 22,160
Time deposits with original maturing over three months	13,979	3,053
Time deposits with original maturing over twelve months - current	-	1,047
Marketable securities (note 2)	23,026	20,722
Held-to-Maturity Investment	5,157	-
Accounts receivable, net	11,986	15,704
Inventories (note 3)	12,129	17,325
Prepaid expenses and other current assets	1,228	1,149
Total current assets	83,255	81,160
Property, plant and equipment, net	24,603	26,051
Deferred income tax assets	419	262
Time deposits with original maturing over twelve months	2,799	2,906
Total assets	\$ 111,076	\$ 110,379
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,210	\$ 6,949
Accrued payroll and employee benefits	7,159	7,943
Customer deposits	1,712	2,216
Other accrued liabilities	1,236	1,989
Income taxes payable	1,113	1,149
Total current liabilities	16,430	20,246
Deferred income tax liabilities	476	484
Total liabilities	16,906	20,730
 Shareholders' equity		
Common shares nil par value - authorized 30,000,000 shares, 17,081,810 shares issued as of March 31, 2022 and 2023; 15,935,239 shares outstanding as of March 31, 2022 and 2023;	53,202	53,202
Treasury stock at cost; 1,146,571 shares as of March 31, 2022 and 2023	(2,821)	(2,821)
Additional paid-in capital	7,973	7,973
Accumulated other comprehensive income	5,316	5,316
Retained earnings	30,500	25,979
Total shareholders' equity	94,170	89,649
Total liabilities and shareholders' equity	\$ 111,076	\$ 110,379

**DESWELL INDUSTRIES, INC.**  
**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,	
	2024	2023	2024	2023
Net sales	\$ 31,638	\$ 33,105	\$ 69,368	\$ 77,543
Cost of sales	25,097	27,380	55,465	64,704
Gross profit	6,541	5,725	13,903	12,839
Selling, general and administrative expenses	5,241	5,215	10,501	10,966
Other income, net	183	337	383	1,014
Operating income	1,483	847	3,785	2,887
Non-operating (expenses) income, net	2,610	1,737	4,034	(573)
Income, before income taxes	4,093	2,584	7,819	2,314
Income taxes expense (benefit)	(59)	(35)	110	255
Net income attributable to Deswell Industries, Inc.	\$ 4,152	\$ 2,619	\$ 7,709	\$ 2,059
Other comprehensive income	\$ -	\$ -	\$ -	\$ -
Total comprehensive income attributable to Deswell Industries, Inc.	\$ 4,152	\$ 2,619	\$ 7,709	\$ 2,059
Net income per share attributable to Deswell Industries, Inc. (note 4)				
Basic:				
Net income per share	\$ 0.26	\$ 0.16	\$ 0.48	\$ 0.13
Weighted average common shares outstanding (shares in thousands)	15,935	15,935	15,935	15,935
Diluted:				
Net income per share	\$ 0.26	\$ 0.16	\$ 0.48	\$ 0.13
Weighted average common shares outstanding (shares in thousands)	15,992	16,000	15,999	16,072

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

( U.S. dollars in thousands )	Year ended March 31,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net income	\$ 7,709	\$ 2,059
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,523	1,709
Provision for (reversal of) credit losses, net	76	(229)
Allowance of for obsolete inventories, net	-	116
(Gain) loss on disposal of property, plant and equipment	74	(18)
Unrealized holding (gain) loss on marketable securities	(952)	3,973
Gain on sale of marketable securities	-	(581)
Deferred income tax benefit	(165)	(178)
 Changes in operating assets and liabilities:		
Accounts receivable	3,642	2,720
Inventories	5,196	6,378
Prepaid expenses and other current assets	(79)	777
Accounts payable	(1,739)	(2,889)
Accrued payroll and employee benefits	(784)	332
Customer deposits	(504)	(127)
Other accrued liabilities	(753)	(961)
Income taxes payable	(36)	(83)
Net cash provided by operating activities	13,208	12,998
 Cash flows from investing activities		
Purchase of property, plant and equipment	(381)	(792)
Proceeds from sale of property, plant and equipment, net of transaction costs	232	67
Purchase of marketable securities	(1,352)	(3,469)
Proceeds from sales of marketable securities	-	3,854
(Increase) decrease of fixed deposits with original maturing over three months	(10,926)	1,301
Decrease (increase) of fixed deposits with original maturing over twelve months	1,154	(2,076)
Increase in held-to-maturity investment	(5,157)	-
Net cash used in investing activities	(16,430)	(1,115)
 Cash flows from financing activities		
Dividends paid	(3,188)	(3,188)
Proceeds from exercise of stock options	-	-
Net cash used in financing activities	(3,188)	(3,188)
 Net decrease in cash and cash equivalents	(6,410)	8,695
Cash and cash equivalents, beginning of year	22,160	13,465
Cash and cash equivalents, end of year	15,750	22,160

Supplementary disclosures of cash flow information:

Cash paid during the year for:

Interest

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-

Income taxes

227

418

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