

## Deswell Announces First Half 2023 Results

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

#### **FOR IMMEDIATE RELEASE**

MACAO (November 17, 2022) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its unaudited financial results for the first six months of fiscal 2023, ended September 30, 2022.

Net sales for the six months ended September 30, 2022 were \$44.4 million, an increase of 11.7% compared to net sales of \$39.8 million for the six months ended September 30, 2021. Net sales increased by 20.9% to \$36.1 million in the electronic segment but decreased by 15.9% to \$8.3 million in the Company's plastic segment.

Total gross margin slightly decreased to 16.0% of net sales during the six months ended September 30, 2022, as compared to 16.1% of net sales in the same period last year. Gross profit margin in the plastic segment increased to 13.2% of net sales for the first half of fiscal 2023, compared to 10.7% of net sales for the corresponding period of last fiscal year. The increase in gross profit and margin in the plastic segment was mainly due to decreases in raw materials cost, and in basic pay rate of labor costs due to lower headcount in the first six months of fiscal 2023. Gross profit margin in the electronic segment decreased to 16.7% of net sales for the first half of fiscal 2023, compared to 17.9% of net sales for the corresponding period of last fiscal year. The decrease in gross margin in the electronic segment was mainly attributable to increases in raw materials cost for semiconductor chips as a result of the continuing shortage in supply and pricing volatility for the first six months of fiscal 2023. Operating income in the first half of fiscal 2023 was \$2.0 million, compared to operating income of \$1.2 million for the same period of fiscal 2022.

The Company reported net loss of \$0.6 million for the six months ended September 30, 2022, compared to net income of \$4.3 million for the six months ended September 30, 2021. This was primarily due to a non-operating expense of \$2.3 million for the six months ended September 30, 2022, as compared to a non-operating income of \$3.3 million for the same period of fiscal 2022. Deswell reported basic and diluted loss per share of \$0.04 for the first half of fiscal 2023 (based on 15,935,000 and 15,935,000 weighted average shares outstanding), as compared to basic and diluted income per share of \$0.27 for the first half of fiscal 2022 (based on 15,923,000 and 16,041,000 weighted average shares outstanding), for the six months ended September 30, 2021.

The Company's financial position remained strong, with \$15.6 million in cash and cash equivalents and working capital totaling \$59.4 million as of September 30, 2022. Furthermore, the Company has no long-term or short-term borrowings as of September 30, 2022.

Mr. Edward So, Chief Executive Officer, commented, "We're pleased to have delivered solid revenue and operating income growth in the first half of fiscal 2023, driven by our electronics segment where we saw continued demand for home audio and entertainment equipment and for professional audio instruments and equipment. Our sales growth in this segment reflects our ability to reliably produce and deliver products on-time, creating value for our customers. This growth was partially offset by decreased sales at our plastics segment."

"During the first half of fiscal 2023 the global economic and political environment were unsettled, impacting worldwide financial markets and, as a result, we recorded an unrealized loss of \$4.4 million on our investment portfolio. Nonetheless, we achieved improved operating income of \$2.0 million as compared to \$1.2 million in the same prior year period. Our balance sheet remains strong with a solid cash position and no debt providing us the financial flexibility to deliver strong operating performance while implementing our long-term growth strategy to capitalize on market demand for our manufacturing capabilities."

## **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 half of the fiscal year ended September 30, 2022. The dividend will be payable on December 22, 2022 to shareholders of record as of December 1, 2022.

## **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](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.

## **Investor Relations Contact:**

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

	September 30, <u>2022</u> (Unaudited)	March 31, <u>2022</u> (Audited)
<b>ASSETS</b>		
Current assets :		
Cash and cash equivalents	\$ 15,577	\$ 13,465
Fixed deposits maturing over three months	3,966	4,354
Time deposits maturing over twelve months - current portion	-	1,564
Marketable securities (note 3)	19,461	24,499
Accounts receivable, net	22,077	18,195
Inventories (note 2)	20,696	23,819
Prepaid expenses and other current assets	2,032	1,926
Total current assets	83,809	87,822
Property, plant and equipment - net	26,447	27,017
Deferred income tax assets	231	259
Time depositis maturing over twelve months	3,070	313
Total assets	\$ 113,557	\$ 115,411
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 10,133	\$ 9,838
Accrued payroll and employee benefits	7,776	7,611
Customer deposits	2,646	2,343
Other accrued liabilities	2,560	2,950
Income taxes payable	1,292	1,232
Total current liabilities	24,407	23,974
Deferred income tax liabilities	526	659
Total liabilities	24,933	24,633
 Shareholders' equity		
Common shares nil par value; authorized 30,000,000 shares; 17,081,810 shares issued; 15,935,239 shares outstanding as of March 31, 2022 and September 30, 2022	53,202	53,202
Treasury stock at cost; 1,146,571 shares as of March 31, 2022 and September 30, 2022	(2,821)	(2,821)
Additional paid-in capital	7,973	7,973
Accumulated other comprehensive income	5,316	5,316
Retained earnings	24,954	27,108
Total shareholders' equity	88,624	90,778
Total liabilities and shareholders' equity	\$ 113,557	\$ 115,411

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

	Six months ended September 30,	
	<u>2022</u>	<u>2021</u>
Net sales	\$ 44,438	\$ 39,782
Cost of sales	37,324	33,362
Gross profit	7,114	6,420
Selling, general and administrative expenses	5,751	5,348
Other income, net	677	111
Operating income	2,040	1,183
Non-operating (expense) income, net	(2,310)	3,288
(Loss) income before income taxes	(270)	4,471
Income taxes	290	173
Net (loss) income attributable to Deswell Industries, Inc.	\$ (560)	\$ 4,298
Other comprehensive income	\$ -	\$ -
Comprehensive (loss) income attributable to Deswell Industries, Inc.		
Net (loss) income per share attributable to Deswell Industries, Inc. (note 4)		
Basic:		
Net (loss) income per share	\$ (0.035)	\$ 0.27
Weighted average common shares outstanding shares (in thousands)	15,935	15,923
Diluted:		
Net (loss) income per share	\$ (0.035)	\$ 0.27
Weighted average number of shares outstanding (in thousands)	15,935	16,041

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

<b>( U.S. dollars in thousands )</b>	Six months ended September 30, <u>2022</u>	Six months ended September 30, <u>2021</u>
Cash flows from operating activities :		
Net (loss) income	\$ (560)	\$ 4,298
Adjustments to reconcile net (loss) income to net cash provided by operating activities :		
Depreciation and amortization	858	883
Reversal of provision for doubtful accounts	(46)	(163)
Reversal of obsolescence allowance of inventories, net	(125)	(293)
Gain on disposal of property, plant and equipment	(22)	-
Unrealized holding loss (gain) on marketable securities	4,354	(845)
Realized gain on disposal of marketable securities	(120)	(653)
Exchange loss from marketable securities	-	117
Deferred tax credit	(105)	(34)
Changes in operating assets and liabilities :		
Accounts receivable	(3,836)	(2,631)
Inventories	3,248	(4,506)
Prepaid expenses and other current assets	(106)	(931)
Accounts payable	295	2,635
Accrued payroll and employee benefits	165	523
Customer deposits	303	1,473
Other accrued liabilities	(390)	393
Income taxes payable	60	177
Net cash provided by operating activities	<u>3,973</u>	<u>443</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(318)	(822)
Proceeds from disposal of property, plant and equipment,	52	16
Purchase of marketable securities	(1,123)	(7,301)
Proceeds from disposal of marketable securities	1,927	6,739
Release of (increase in) fixed deposits maturing over three months	388	(370)
Increase in fixed deposits maturing over twelve months	(1,193)	-
Net cash used in investing activities	<u>(267)</u>	<u>(1,738)</u>
Cash flows from financing activities		
Dividends paid	(1,594)	(1,592)
Exercise of stock options	-	43
Net cash used in financing activities	<u>(1,594)</u>	<u>(1,549)</u>
Cash effect of exchange rate changes		
Net increase (decrease) in cash and cash equivalents	2,112	(2,844)
Cash and cash equivalents, at beginning of period	<u>13,465</u>	<u>20,223</u>
Cash and cash equivalents, at end of period	<u><u>15,577</u></u>	<u><u>17,379</u></u>

Supplementary disclosures of cashflow information:

Cash paid during the period for:

Interest

-

-

Income taxes

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