

## **Deswell Announces Second Half 2023 Results**

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

#### **FOR IMMEDIATE RELEASE**

MACAO (June 20, 2023) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its unaudited financial results for the second half of the fiscal year ended March 31, 2023.

Net sales for the six months ended March 31, 2023 were \$33.1 million, a decrease of 27.6% compared to net sales of \$45.7 million for the six months ended March 31, 2022. Net sales decreased by 42.2% to \$7.5 million in the plastic segment and by 21.8% to \$25.6 million in the Company's electronic segment.

Total gross margin increased to 17.3% during the six months ended March 31, 2023, as compared to 16.5% in the same period last year. For the plastic segment, gross profit margin decreased to 17.8% of net sales for the second half of fiscal 2023, as compared to 19.2% 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 relative increases in labor costs and a decrease in sales revenue, partially offset by lower raw material costs. Gross profit margin in the electronics segment increased from 15.4% in the second half of fiscal 2022 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 raw material and labor costs due to continuous cost control measures taken.

Operating income for the second half of fiscal 2023 decreased from \$1.7 million in the second half of fiscal 2022 to \$0.8 million in the second half of fiscal 2023.

The Company reported net income of \$2.6 million for the six months ended March 31, 2023, as compared to net income of \$4.1 million for the six months ended March 31, 2022. Non-operating income for the six months ended March 31, 2023 was \$1.7 million, as compared to non-operating income of \$2.0 million in the six months ended March 31, 2022. Non-operating income during the six months ended March 31, 2023 was primarily comprised of \$381,000 from unrealized gain in marketable securities, \$330,000 from rental income, \$445,000 on dividend income from securities investments, and \$461,000 from realized gain on the sale of marketable securities, as compared to an unrealized gain of \$27,000 on marketable securities, rental income of \$1,028,000, dividend income of \$454,000 from securities investments and a realized gain of \$420,000 on the sale of marketable securities in the second half of fiscal 2022. Deswell reported basic and diluted income per share of \$0.16 for the second half of fiscal 2023 (based on 15,935,000 and 16,000,000 weighted average shares outstanding, respectively), as compared to basic and diluted income per share of \$0.25 (based on 15,935,000 and 16,038,000 weighted average shares outstanding, respectively), for the six months ended March 31, 2022.

Net sales for the year ended March 31, 2023 were \$77.5 million, a decrease of 9.8% compared to net sales of \$86.0 million for fiscal 2022. Operating income for the year ended March 31, 2023 increased to \$2.9 million from \$2.8 million in fiscal 2022. The Company reported net income of \$2.1 million in fiscal 2023, as compared to net income of \$8.2 million for the year ended March 31, 2022. The decrease in net income was mainly attributable to the decrease in non-operating income for fiscal 2023, with operating income relatively consistent as compared to the prior fiscal year. Deswell reported basic and diluted net income per share of \$0.13 for fiscal 2023, (based on 15,935,000 and 16,072,000 weighted average shares outstanding, respectively), as compared to basic net income per share of \$0.52 and diluted net income per share of \$0.51 (based on 15,929,000 and 16,135,000 weighted average shares outstanding, respectively), for the prior fiscal year.

The Company's financial position remained strong, with \$22.2 million in cash and cash equivalents and working capital totaling \$60.9 million as of March 31, 2023. Furthermore, the Company has no long-term or short-term borrowings as of March 31, 2023.

Mr. Edward So, Chief Executive Officer, commented, “Our results in the second half of 2023 were impacted by the global economic environment, particularly a pullback in consumer spending related widespread higher cost of living expenses. Our plastics segment experienced decreased orders for robotic vacuums and other home products in the back half of the year, and our electronics segment was negatively affected by a decline in demand for home entertainment products as compared to fiscal year 2022. We believe the demand constraint experienced in both segments is related to consumers spending more time traveling outside of their homes and also taking a more cautious approach to their discretionary spending on household items. On a positive note, demand for professional audio products remained strong in the second half of 2023 and we saw supply chain improvements as well as an easing in the global chip shortage.

“Our balance sheet remains strong with a solid cash position and no debt providing us with the flexibility to embark on the cost-effective redesign of certain products as well as increasing our leadership position and market recognition as a reliable and efficient manufacturing partner.”

## **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, 2023. The dividend will be payable on July 20, 2023 to shareholders of record as of July 5, 2023.

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>2023</u> (Unaudited)	March 31, <u>2022</u> (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 22,160	\$ 13,465
Fixed deposits maturing over three months	3,053	4,354
Time deposits maturing over twelve months - current portion	1,047	1,564
Marketable securities	20,722	24,499
Accounts receivable, net	15,704	18,195
Inventories	17,325	23,819
Prepaid expenses and other current assets	1,149	1,926
Total current assets	81,160	87,822
Property, plant and equipment - net	26,051	27,017
Deferred income tax assets	262	259
Time deposits maturing over twelve months	2,906	313
Total assets	\$ 110,379	\$ 115,411
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 6,949	\$ 9,838
Accrued payroll and employee benefits	7,943	7,611
Customer deposits	2,216	2,343
Other accrued liabilities	1,989	2,950
Income taxes payable	1,149	1,232
Total current liabilities	20,246	23,974
Deferred income tax liabilities	484	659
Total liabilities	20,730	24,633
 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	25,979	27,108
Total shareholders' equity	89,649	90,778
Total liabilities and shareholders' equity	\$ 110,379	\$ 115,411

**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,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net sales	\$ 33,105	\$ 45,708	\$ 77,543	\$ 85,980
Cost of sales	<u>27,380</u>	<u>38,176</u>	<u>64,704</u>	<u>72,028</u>
Gross profit	5,725	7,532	12,839	13,952
Selling, general and administrative expenses	5,215	5,791	10,966	11,267
Other income (expense), net	<u>337</u>	<u>(37)</u>	<u>1,014</u>	<u>74</u>
Operating income	847	1,704	2,887	2,759
Non-operating (expenses) income, net	<u>1,737</u>	<u>2,020</u>	<u>(573)</u>	<u>5,308</u>
Income, before income taxes	2,584	3,724	2,314	8,067
Income taxes expense (benefit)	<u>(35)</u>	<u>(338)</u>	<u>255</u>	<u>(165)</u>
Net income attributable to Deswell Industries, Inc.	\$ 2,619	\$ 4,062	\$ 2,059	\$ 8,232
Other comprehensive income	\$ -	\$ -	\$ -	\$ -
Total comprehensive income attributable to Deswell Industries, Inc.	<u>\$ 2,619</u>	<u>\$ 4,062</u>	<u>\$ 2,059</u>	<u>\$ 8,232</u>
Net income per share attributable to Deswell Industries, Inc.				
Basic:				
Net income per share	<u>\$ 0.16</u>	<u>\$ 0.25</u>	<u>\$ 0.13</u>	<u>\$ 0.52</u>
Weighted average common shares outstanding (shares in thousands)	<u>15,935</u>	<u>15,935</u>	<u>15,935</u>	<u>15,929</u>
Diluted:				
Net income per share	<u>\$ 0.16</u>	<u>\$ 0.25</u>	<u>\$ 0.13</u>	<u>\$ 0.51</u>
Weighted average common shares outstanding (shares in thousands)	<u>16,000</u>	<u>16,038</u>	<u>16,072</u>	<u>16,135</u>

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

( U.S. dollars in thousands )	Year ended Mar 31,	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net income	\$ 2,059	\$ 8,232
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,709	1,736
Reversal of credit losses, net	(229)	(148)
Allowance of for obsolete inventories, net	116	(25)
(Gain) loss on disposal of property, plant and equipment	(18)	24
Unrealized holding loss (gain) on marketable securities	3,973	(872)
Gain on sale of marketable securities	(581)	(1,073)
Exchange loss arising from marketable securities	-	117
Deferred income tax benefit	(178)	(557)
Changes in operating assets and liabilities:		
Accounts receivable	2,720	(3,339)
Inventories	6,378	(7,601)
Prepaid expenses and other current assets	777	563
Accounts payable	(2,889)	316
Accrued payroll and employee benefits	332	504
Customer deposits	(127)	660
Other accrued liabilities	(961)	934
Income taxes payable	(83)	346
Net cash provided by (used in) operating activities	12,998	(183)
Cash flows from investing activities		
Purchase of property, plant and equipment	(792)	(1,504)
Proceeds from sale of property, plant and equipment, net of transaction costs	67	50
Purchase of marketable securities	(3,469)	(11,543)
Proceeds from sales of marketable securities	3,854	11,245

Release (increase) of fixed deposits with original maturing over three months	1,301	(1,654)
Increase of fixed deposits with original maturing over twelve months	<u>(2,076)</u>	<u>(26)</u>
Net cash used in investing activities	<u>(1,115)</u>	<u>(3,432)</u>
Cash flows from financing activities		
Dividends paid	(3,188)	(3,186)
Proceeds from exercise of stock options	<u>-</u>	<u>43</u>
Net cash used in financing activities	<u>(3,188)</u>	<u>(3,143)</u>
Net increase in cash and cash equivalents	8,695	(6,758)
Cash and cash equivalents, beginning of year	<u>13,465</u>	<u>20,223</u>
Cash and cash equivalents, end of year	<u><u>22,160</u></u>	<u><u>13,465</u></u>
Supplementary disclosures of cash flow information:		
Cash paid during the year for:		
Interest	-	-
Income taxes	<u>418</u>	<u>68</u>