

Deswell Announces First Half 2026 Results

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

FOR IMMEDIATE RELEASE

MACAO (November 13, 2025) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its unaudited financial results for the first six months of fiscal 2026, ended September 30, 2025.

Net sales for the six months ended September 30, 2025 were \$33.2 million, a decrease of 5.5% compared to net sales of \$35.2 million for the six months ended September 30, 2024. Net sales decreased by 13.8% to \$5.0 million in the plastic segment and by 3.9% to \$28.2 million in the Company's electronic segment.

Total gross margin was 23.4% of net sales during the six months ended September 30, 2025, as compared to 19.5% for the corresponding period of last year. Gross margin in the plastic segment decreased slightly to 18.3% of net sales in the segment for the first half of fiscal 2026, compared to 19.5% 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 slightly decreased due to an increase in labor costs resulting from the raise in minimum hourly wage, offset by continued control in the consumption of raw materials in the first six months of fiscal 2026. Gross profit margin in the electronic segment increased to 24.3% compared to 19.5% of net sales in the segment for the first half of last fiscal year. 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 for the first six months of fiscal 2026. Operating income in the first half of fiscal 2026 was \$2.5 million, compared to operating income of \$1.8 million for the same period of fiscal 2025.

The Company reported net income of \$7.5 million for the six months ended September 30, 2025, compared to net income of \$6.2 million for the six months ended September 30, 2024. This was primarily due to increases in total gross margin and non-operating income for the six months ended September 30, 2025, as compared to the same period of fiscal 2025. Deswell reported basic and diluted income per share of \$0.47 for the first half of fiscal 2026 (based on 15,935,000 and 15,935,000 weighted average shares outstanding, respectively), as compared to basic and diluted income per share of \$0.39 for the first half of fiscal 2025 (based on 15,935,000 and 15,935,000 weighted average shares outstanding, respectively).

The Company's financial position remained strong, with \$23.4 million in cash and cash equivalents and working capital totaling \$85.1 million as of September 30, 2025. Furthermore, the Company has no long-term or short-term borrowings as of September 30, 2025.

Mr. Edward So, Chief Executive Officer, commented, "To date in fiscal year 2026, our performance reflects our resilience amid a challenging global economic landscape. While overall sales declined, driven primarily by softened worldwide demand, gross margins expanded as a result of higher-margin offerings with enhanced value-added services delivered to customers. New product introductions continue to outperform legacy lines, demonstrating the strength of our innovation pipeline. As we navigate a challenging economic landscape, our strategic priorities – accelerating speed-to-market, rigorous internal cost controls, close supplier partnerships, and targeted reinvestments – position us to stabilize performance and preserve competitiveness through the current cycle."

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 2026. The dividend will be payable on December 23, 2025 to shareholders of record as of December 2, 2025.

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 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)

	September 30, <u>2025</u> (Unaudited)	March 31, <u>2025</u> (Audited)
ASSETS		
Current assets :		
Cash and cash equivalents	\$ 23,382	\$ 28,133
Fixed deposits maturing over three months	21,216	19,431
Time deposits maturing over twelve months - current portion	-	2,761
Marketable securities (note 3)	26,890	25,175
Held-to-maturity Investment	8,180	-
Accounts receivable, net	13,901	9,914
Inventories (note 2)	10,130	9,462
Prepaid expenses and other current assets	1,221	1,612
Total current assets	104,920	96,488
Property, plant and equipment - net	22,954	23,385
Deferred income tax assets	337	335
Time deposits maturing over twelve months	-	-
Total assets	<u>\$ 128,211</u>	<u>\$ 120,208</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,263	\$ 5,740
Accrued payroll and employee benefits	8,414	7,779
Customer deposits	1,855	2,058
Other accrued liabilities	1,132	1,014
Income taxes payable	1,192	1,126
Total current liabilities	19,856	17,717
Deferred income tax liabilities	310	371
Total liabilities	20,166	18,088
 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, 2025 and September 30, 2025	53,202	53,202
Treasury stock at cost; 1,146,571 shares as of March 31, 2025 and September 30, 2025	(2,821)	(2,821)
Additional paid-in capital	7,973	7,973
Accumulated other comprehensive income	5,316	5,316
Retained earnings	44,375	38,450
Total shareholders' equity	108,045	102,120
Total liabilities and shareholders' equity	<u>\$ 128,211</u>	<u>\$ 120,208</u>

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>2025</u>	<u>2024</u>
Net sales	\$ 33,230	\$ 35,176
Cost of sales	25,442	28,312
Gross profit	7,788	6,864
Selling, general and administrative expenses	5,432	5,404
Other income, net	158	360
Operating income	2,514	1,820
Non-operating income, net	5,172	4,646
Income before income taxes	7,686	6,466
Income taxes	167	281
Net income attributable to Deswell Industries, Inc.	\$ 7,519	\$ 6,185
Other comprehensive income	\$ -	\$ -
Comprehensive income attributable to Deswell Industries, Inc.	<u>\$ 7,519</u>	<u>\$ 6,185</u>
Net income per share attributable to Deswell Industries, Inc. (note 4)		
Basic:		
Net income per share	<u>\$ 0.47</u>	<u>\$ 0.39</u>
Weighted average common shares outstanding shares (in thousands)	<u>15,935</u>	<u>15,935</u>
Diluted:		
Net income per share	<u>\$ 0.47</u>	<u>\$ 0.39</u>
Weighted average number of shares outstanding (in thousands)	<u>15,935</u>	<u>15,935</u>

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

	Six months ended September 30, <u>2025</u>	Six months ended September 30, <u>2024</u>
Cash flows from operating activities :		
Net income	\$ 7,519	\$ 6,185
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	741	764
Provision for doubtful accounts	16	44
(Reversal of) additional charges for obsolescence allowance of inventories, net	(284)	350
Gain on disposal of property, plant and equipment	(26)	(8)
Unrealized holding gain on marketable securities	(930)	(2,961)
Realized gain on disposal of marketable securities	(2,881)	-
Scrip dividend received	-	(73)
Deferred tax credit	(63)	(22)
Changes in operating assets and liabilities :		
Accounts receivable	(4,003)	(5,226)
Inventories	(384)	(5)
Prepaid expenses and other current assets	391	(169)
Accounts payable	1,523	3,041
Accrued payroll and employee benefits	635	493
Customer deposits	(203)	1,166
Other accrued liabilities	118	(86)
Income taxes payable	66	217
Net cash provided by operating activities	<u>2,235</u>	<u>3,710</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(326)	(129)
Proceeds from disposal of property, plant and equipment,	42	25
Purchase of marketable securities	(7,450)	(1,275)
Proceeds from disposal of marketable securities	9,546	-
Increase in fixed deposits maturing over three months	(1,785)	(8,205)
Release of (Increase in) fixed deposits maturing over twelve months - current	2,761	(2,800)
Release of fixed deposits maturing over twelve months	-	2,799
(Decrease) Increase in Held-to-maturity Investment	(8,180)	5,157
Net cash used in investing activities	<u>(5,392)</u>	<u>(4,428)</u>
Cash flows from financing activities		
Dividends paid	(1,594)	(1,594)
Net cash used in financing activities	<u>(1,594)</u>	<u>(1,594)</u>
Net decrease in cash and cash equivalents	(4,751)	(2,312)
Cash and cash equivalents, at beginning of period	28,133	15,750
Cash and cash equivalents, at end of period	<u>23,382</u>	<u>13,438</u>
Supplementary disclosures of cashflow information :		
Cash paid during the period for :		
Interest	-	-
Income taxes	170	126

