

## Deswell Announces First Half 2024 Results

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

#### **FOR IMMEDIATE RELEASE**

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

Net sales for the six months ended September 30, 2023 were \$37.7 million, a decrease of 15.1% compared to net sales of \$44.4 million for the six months ended September 30, 2022. Net sales decreased by 24.6% to \$6.3 million in the plastic segment and by 12.9% to \$31.4 million in the Company's electronic segment.

Total gross margin increased to 19.5% of net sales during the six months ended September 30, 2023, as compared to 16.0% of net sales in the same period last year. Gross profit margin in the plastic segment increased to 19.6% of net sales for the first half of fiscal 2024, compared to 13.2% of net sales for the corresponding period of last fiscal year. The increase in gross 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 and the depreciation of renminbi in the first six months of fiscal 2024. Gross profit margin in the electronic segment increased to 19.5% of net sales for the first half of fiscal 2024, compared to 16.7% of net sales for the corresponding period of last fiscal year. The increase in gross margin in the electronic segment was mainly the result of the depreciation of renminbi, and decreases in raw materials and labor costs due to continuous cost control measures in the segment for the first six months of fiscal 2024. Operating income in the first half of fiscal 2024 was \$2.3 million, compared to operating income of \$2.0 million for the same period of fiscal 2023.

The Company reported net income of \$3.6 million for the six months ended September 30, 2023, compared to net loss of \$0.6 million for the six months ended September 30, 2022. This was primarily due to non-operating income of \$1.4 million for the six months ended September 30, 2023, as compared to a non-operating expense of \$2.3 million for the same period of fiscal 2023. Deswell reported basic and diluted income per share of \$0.22 for the first half of fiscal 2024 (based on 15,935,000 and 15,973,000 weighted average shares outstanding), as compared to 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), for the six months ended September 30, 2022.

The Company's financial position remained strong, with \$17.4 million in cash and cash equivalents and working capital totaling \$63.8 million as of September 30, 2023. Furthermore, the Company has no long-term or short-term borrowings as of September 30, 2023.

Mr. Edward So, Chief Executive Officer, commented, "With global inflation continuing to rise, consumers are spending less on non-essential items such as home audio equipment and entertainment products as they navigate the challenging economy. Despite the sales pressure we encountered in the first half of fiscal 2024, we're pleased to have achieved enhanced margins and significantly improved profitability, with net income of \$3.6 million or \$0.22 per share, as compared to a net loss of \$0.6 million in the first half of fiscal 2023. Margins were favorably impacted by lower raw materials costs related to an improved supply chain environment and by our ongoing expense control initiatives. Additionally, our margin performance benefitted from the depreciation of renmibi in the first half of 2024.

"We continue to work diligently with our customers to develop new products strategically tailored to appeal to our end markets during this challenging economic landscape. 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, 2023. The dividend will be payable on December 21, 2023 to shareholders of record as of December 1, 2023.

## **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>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,381	\$ 22,160
Fixed deposits maturing over three months	6,424	3,053
Time deposits maturing over twelve months - current portion	279	1,047
Marketable securities (note 2)	21,394	20,722
Held-to-maturity Investment	5,092	-
Accounts receivable, net	16,799	15,704
Inventories (note 3)	14,774	17,325
Prepaid expenses and other current assets	1,179	1,149
Total current assets	83,322	81,160
Property, plant and equipment - net	25,307	26,051
Deferred income tax assets	247	262
Time deposits maturing over twelve months	2,740	2,906
Total assets	\$ 111,616	\$ 110,379
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 7,625	\$ 6,949
Accrued payroll and employee benefits	7,005	7,943
Customer deposits	2,054	2,216
Other accrued liabilities	1,770	1,989
Income taxes payable	1,103	1,149
Total current liabilities	19,557	20,246
Deferred income tax liabilities	447	484
Total liabilities	20,004	20,730
 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, 2023 and September 30, 2023	53,202	53,202
Treasury stock at cost; 1,146,571 shares as of March 31, 2023 and September 30, 2023	(2,821)	(2,821)
Additional paid-in capital	7,973	7,973
Accumulated other comprehensive income	5,316	5,316
Retained earnings	27,942	25,979
Total shareholders' equity	91,612	89,649
Total liabilities and shareholders' equity	\$ 111,616	\$ 110,379

**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>2023</u>	<u>2022</u>
Net sales	\$ 37,730	\$ 44,438
Cost of sales	30,368	37,324
Gross profit	7,362	7,114
Selling, general and administrative expenses	5,260	5,751
Other income, net	200	677
Operating income	2,302	2,040
Non-operating income (expense), net	1,424	(2,310)
Income (loss) before income taxes	3,726	(270)
Income taxes	169	290
Net income (loss) attributable to Deswell Industries, Inc.	\$ 3,557	\$ (560)
Other comprehensive income	\$ -	\$ -
Comprehensive income (loss) attributable to Deswell Industries, Inc.	\$ 3,557	\$ (560)
Net income (loss) per share attributable to Deswell Industries, Inc. (note 4)		
Basic:		
Net income (loss) per share	\$ 0.22	\$ (0.035)
Weighted average common shares outstanding shares (in thousands)	15,935	15,935
Diluted:		
Net income (loss) per share	\$ 0.22	\$ (0.035)
Weighted average number of shares outstanding (in thousands)	15,973	15,935

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

	Six months ended September 30,	Six months ended September 30,
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net (loss) income	\$ 3,557	\$ (560)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	771	858
Reversal of provision for doubtful accounts	-	(46)
Reversal of obsolete allowance of inventories, net	-	(125)
Gain on disposal of property, plant and equipment	(11)	(22)
Unrealized holding (gain) loss on marketable securities	(68)	4,354
Realized gain on disposal of marketable securities	-	(120)
Deferred tax credit	(22)	(105)
Changes in operating assets and liabilities:		
Accounts receivable	(1,095)	(3,836)
Inventories	2,551	3,248
Prepaid expenses and other current assets	(30)	(106)
Accounts payable	676	295
Accrued payroll and employee benefits	(938)	165
Customer deposits	(162)	303
Other accrued liabilities	(219)	(390)
Income taxes payable	(46)	60
Net cash provided by operating activities	4,964	3,973
Cash flows from investing activities		
Purchase of property, plant and equipment	(141)	(318)
Proceeds from disposal of property, plant and equipment	126	52
Purchase of marketable securities	(604)	(1,123)
Proceeds from disposal of marketable securities	-	1,927
(Increase in) release of fixed deposits maturing over three months	(3,372)	388
Release of fixed deposits maturing over twelve months - current	768	-
Release of (increase in) fixed deposits maturing over twelve months	166	(1,193)

Held-to-maturity Investment	<u>(5,092)</u>	<u>-</u>
Net cash used in investing activities	<u>(8,149)</u>	<u>(267)</u>
Cash flows from financing activities		
Dividends paid	<u>(1,594)</u>	<u>(1,594)</u>
Net cash used in financing activities	<u>(1,594)</u>	<u>(1,594)</u>
Cash effect of exchange rate changes		
Net increase (decrease) in cash and cash equivalents	(4,779)	2,112
Cash and cash equivalents, at beginning of period	<u>22,160</u>	<u>13,465</u>
Cash and cash equivalents, at end of period	<u><u>17,381</u></u>	<u><u>15,577</u></u>
Supplementary disclosures of cashflow information:		
Cash paid during the period for:		
Interest	-	-
Income taxes	<u>267</u>	<u>231</u>