

Deswell Announces First Half 2025 Results

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

FOR IMMEDIATE RELEASE

MACAO (November 15, 2024) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its unaudited financial results for the first six months of fiscal 2025, ended September 30, 2024.

Net sales for the six months ended September 30, 2024 were \$35.2 million, a decrease of 6.8% compared to net sales of \$37.7 million for the six months ended September 30, 2023. Net sales decreased by 8.1% to \$5.8 million in the plastic segment and by 6.5% to \$29.4 million in the Company's electronic segment.

Total gross margin was 19.5% of net sales during the six months ended September 30, 2024, consistent with the corresponding period of last year. Gross margin in the plastic segment decreased slightly to 19.5% of net sales in the segment for the first half of fiscal 2025, compared to 19.6% of net sales in the segment for the corresponding period of last fiscal year. Gross margin in the plastic segment remained almost at the same level as the corresponding period last year due to the continued control in labor headcount and cost, consumption of raw materials, as well as the result of depreciation of the Renminbi in the first six months of fiscal 2025. Gross profit margin in the electronic segment remained at 19.5% of net sales in the segment for the first half of fiscal 2025, which was the same for the first six months of last fiscal year. This was mainly the result of the depreciation of the Renminbi, and continuous cost control measures in raw materials and labor cost for the first six months of fiscal 2025. Operating income in the first half of fiscal 2025 was \$1.8 million, compared to operating income of \$2.3 million for the same period of fiscal 2024.

The Company reported net income of \$6.2 million for the six months ended September 30, 2024, compared to net income of \$3.6 million for the six months ended September 30, 2023. This was primarily due to non-operating income of \$4.6 million for the six months ended September 30, 2024, as compared to a non-operating income of \$1.4 million for the same period of fiscal 2024. Deswell reported 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), as compared to 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).

The Company's financial position remained strong, with \$13.4 million in cash and cash equivalents and working capital totaling \$74.8 million as of September 30, 2024. Furthermore, the Company has no long-term or short-term borrowings as of September 30, 2024.

Mr. Edward So, Chief Executive Officer, commented, "Revenue decreased during the period primarily due to the inflationary environment and less consumer spending on non-essential items such as home audio equipment and audio products. In spite of the slight sales decrease, measures taken to moderate raw material and labor costs enabled us to report solid gross margins consistent with the previous year. We reported healthy operating income of \$1.8 million for the period with significantly higher net income of \$6.2 million due to non-operating income from investments. We're optimistic about progress we've made during this year developing new products for the commercial audio installed sound market and with our visibility today we expect to begin customer deliveries of installed sound systems to airport customers during the first half of calendar 2025. Our strong balance sheet with its solid cash position and no debt enables us to implement our long-term growth strategy to grow our customer base and end markets while also returning capital to our shareholders with a consistent dividend."

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, 2024. The dividend will be payable on December 23, 2024 to shareholders of record as of December 2, 2024.

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>2024</u> (Unaudited)	March 31, <u>2024</u> (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,438	\$ 15,750
Fixed deposits maturing over three months	22,184	13,979
Time deposits maturing over twelve months - current portion	2,800	-
Marketable securities (note 3)	27,335	23,026
Held-to-maturity investment	-	5,157
Accounts receivable, net	17,168	11,986
Inventories (note 2)	11,784	12,129
Prepaid expenses and other current assets	1,397	1,228
Total current assets	96,106	83,255
Property, plant and equipment - net	23,951	24,603
Deferred income tax assets	419	419
Time deposits maturing over twelve months	-	2,799
Total assets	\$ 120,476	\$ 111,076
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 8,251	\$ 5,210
Accrued payroll and employee benefits	7,652	7,159
Customer deposits	2,878	1,712
Other accrued liabilities	1,150	1,236
Income taxes payable	1,330	1,113
Total current liabilities	21,261	16,430
Deferred income tax liabilities	454	476
Total liabilities	21,715	16,906
 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, 2024 and September 30, 2024	53,202	53,202
Treasury stock at cost; 1,146,571 shares as of March 31, 2024 and September 30, 2024	(2,821)	(2,821)
Additional paid-in capital	7,973	7,973
Accumulated other comprehensive income	5,316	5,316
Retained earnings	35,091	30,500
Total shareholders' equity	98,761	94,170
Total liabilities and shareholders' equity	\$ 120,476	\$ 111,076

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>2024</u>	<u>2023</u>
Net sales	\$ 35,176	\$ 37,730
Cost of sales	28,312	30,368
Gross profit	6,864	7,362
Selling, general and administrative expenses	5,404	5,260
Other income, net	360	200
Operating income	1,820	2,302
Non-operating income, net	4,646	1,424
Income before income taxes	6,466	3,726
Income taxes	281	169
Net income attributable to Deswell Industries, Inc.	\$ 6,185	\$ 3,557
Other comprehensive income	\$ -	\$ -
Comprehensive income attributable to Deswell Industries, Inc.	<u>\$ 6,185</u>	<u>\$ 3,557</u>
Net income per share attributable to Deswell Industries, Inc. (note 4)		
Basic:		
Net income per share	<u>\$ 0.39</u>	<u>\$ 0.22</u>
Weighted average common shares outstanding shares (in thousands)	<u>15,935</u>	<u>15,935</u>
Diluted:		
Net income per share	<u>\$ 0.39</u>	<u>\$ 0.22</u>
Weighted average number of shares outstanding (in thousands)	<u>15,935</u>	<u>15,973</u>

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

	<u>Six months ended</u> <u>September 30,</u> <u>2024</u>	<u>Six months ended</u> <u>September 30,</u> <u>2023</u>
Cash flows from operating activities:		
Net income	\$ 6,185	\$ 3,557
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	763	771
Provision for doubtful accounts	44	-
Additional charges for obsolescence allowance of inventories, net	350	-
Gain on disposal of property, plant and equipment	(8)	(11)
Unrealized holding gain on marketable securities	(2,961)	(68)
Scrip dividend received	(73)	-
Deferred tax credit	(22)	(22)
Changes in operating assets and liabilities:		
Accounts receivable	(5,226)	(1,095)
Inventories	(5)	2,551
Prepaid expenses and other current assets	(169)	(30)
Accounts payable	3,041	676
Accrued payroll and employee benefits	493	(938)
Customer deposits	1,166	(162)
Other accrued liabilities	(86)	(219)
Income taxes payable	217	(46)
Net cash provided by operating activities	3,709	4,964
Cash flows from investing activities		
Purchase of property, plant and equipment	(129)	(141)
Proceeds from disposal of property, plant and equipment	25	126
Purchase of marketable securities	(1,275)	(604)
Increase in fixed deposits maturing over three months	(8,205)	(3,372)
(Increase in) release of fixed deposits maturing over twelve months - current	(2,800)	768
Release of fixed deposits maturing over twelve months	2,799	166
Held-to-maturity investment	5,157	(5,092)
Net cash used in investing activities	(4,428)	(8,149)
Cash flows from financing activities		
Dividends paid	(1,594)	(1,594)
Net cash used in financing activities	(1,594)	(1,594)
Net decrease in cash and cash equivalents	(2,312)	(4,779)
Cash and cash equivalents, at beginning of period	15,750	22,160
Cash and cash equivalents, at end of period	13,438	17,381
Supplementary disclosures of cashflow information:		
Cash paid during the period for:		
Interest	-	-
Income taxes	126	267

