

## Deswell Announces Fourth Quarter 2015 Results

### - Company Announces Fourth Quarter Cash Dividend of \$0.035 Per Share -

#### **FOR IMMEDIATE RELEASE**

MACAO (June 22, 2015) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its financial results for the fiscal fourth quarter ended March 31, 2015.

Net sales for the fourth quarter ended March 31, 2015 were \$8.1 million, an increase of 2.3% compared to net sales of \$7.9 million for the same quarter ended March 31, 2014. Net sales increased by 29.6% to \$4.5 million in the Company's plastic segment and decreased by 19.3% to \$3.6 million in the electronic and metallic segment. The operating loss in the fourth quarter was \$0.7 million, compared to an operating loss of \$3.0 million for the same quarter of fiscal 2014.

Total gross margin increased to 11.5% in the fourth quarter ended March 31, 2015 compared to 2.5% in the same quarter last year. Gross profit margin in the plastic segment increased to 22.8% of net sales for the fourth quarter of fiscal 2015 compared to 13.1% of net sales for the same quarter 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 depreciation expense as a percentage of sales, offsetting an increase in labor cost and factory overheads. The improvement in gross loss and margin in the electronic and metallic segment was mainly attributed to decreases in raw materials cost, offsetting an increase in labor cost as a percentage of sales.

The Company reported net income of \$0.01 million for the fourth quarter ended March 31, 2015 compared to a net loss of \$3.1 million for the quarter ended March 31, 2014. Deswell reported basic and diluted income per share of \$0.00 for the fourth quarter of fiscal 2015 (based on 16,056,000 and 16,056,000 weighted average shares outstanding, respectively), compared to basic and diluted loss per share of (\$0.19) (based on 16,257,000 and 16,257,000 weighted average shares outstanding, respectively), for the quarter ended March 31, 2014.

Net sales for the year ended March 31, 2015 were \$38.1 million, a decrease of 7.0%, compared to sales of \$40.9 million for the corresponding period in fiscal 2014. Operating loss for the year ended March 31, 2015 was \$5.1 million, compared to operating loss of \$7.2 million for fiscal 2014. The Company reported a net loss of \$2.8 million in fiscal 2015, compared to net loss of \$7.5 million for the year ended March 31, 2014. Deswell reported basic and diluted net loss per share of (\$0.17) for fiscal 2015, (based on 16,056,000 and 16,056,000 weighted average share outstanding, respectively), compared to basic and diluted loss per share of (\$0.46) (based on 16,186,000 and 16,186,000 weighted average shares outstanding, respectively), for the prior fiscal year.

The Company's balance sheet remained strong at the end of the fourth quarter of fiscal 2015, with \$14.3 million in cash and cash equivalents at March 31, 2015 compared to \$23.2 million at March 31, 2014. Working capital totaled \$45.9 million as of March 31, 2015, versus \$50.9 million as of March 31, 2014. Furthermore, the Company has no long-term or short-term borrowings as of March 31, 2015.

Mr. Edward So, Chief Executive Officer, commented, "During the quarter we achieved a modest increase in revenues as a result of the continued efforts of our sales team to find new opportunities with our existing customers and to develop new customer relationships. We continue to focus on collaborating with our customers on new products, and while it's taken longer than anticipated to reach the launch date for some of these products, our increased involvement in R&D is shortening that process. We are making continuous efforts to control costs, and as a result we've seen a decrease in raw materials expense."

#### **Fourth Quarter Dividends**

The Company also announced that on June 22, 2015 its board of directors declared a cash dividend of \$0.035 per share for the fiscal fourth quarter ended March 31, 2015. The dividend will be payable on July 16, 2015 to shareholders of record as of June 26, 2015.

**About Deswell**

Deswell manufactures injection-molded plastic parts and components, electronic products and subassemblies, and metallic products 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. The Company’s customers include Vtech Telecommunications Ltd. and Lenbrook Industries, Ltd.

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 and metallic 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:**

John Nesbett/Jennifer Belodeau  
Institutional Marketing Services (IMS)  
203.972.9200

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

	March 31, <u>2015</u> (Unaudited)	March 31, <u>2014</u> (Audited)
<b>ASSETS</b>		
Current assets :		
Cash and cash equivalents	\$ 14,325	\$ 23,278
Fixed deposits maturing over three months	9,911	11,258
Marketable securities (note 2)	9,803	5,303
Available-for-sale securities (note 2)	1,676	1,643
Accounts receivable, net	9,577	7,926
Inventories (note 4)	10,828	11,012
Prepaid expenses and other current assets	2,120	1,474
Total current assets	<u>58,240</u>	<u>61,894</u>
Property, plant and equipment - net	36,598	38,742
Time depositis maturing over twelve months	1,601	-
Total assets	<u>\$ 96,439</u>	<u>\$ 100,636</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 3,348	\$ 2,665
Accrued payroll and employee benefits	4,228	4,391
Customer deposits	2,450	1,780
Other accrued liabilities	1,201	1,237
Income taxes payable	345	262
Deferred income tax liabilities	804	691
Total current liabilities	<u>12,376</u>	<u>11,026</u>
Shareholders' equity		
Common shares nil par value - authorized 30,000,000 shares, shares issued and outstanding as of March 31, 2015 and March 31, 2014 - 16,056,239;	53,063	53,063
Additional paid-in capital	5,492	5,293
Accumulated other comprehensive income	5,378	5,345
Retained earnings	20,130	25,909
Total shareholders' equity	<u>84,063</u>	<u>89,610</u>
Total liabilities and shareholders' equity	<u>\$ 96,439</u>	<u>\$ 100,636</u>

DESWELL INDUSTRIES, INC.

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

	Quarter ended		Year ended	
	March 31,		March 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net sales	\$ 8,126	\$ 7,944	\$ 38,077	\$ 40,932
Cost of sales	<u>7,192</u>	<u>7,745</u>	<u>34,641</u>	<u>37,788</u>
Gross profit	934	199	3,436	3,144
Selling, general and administrative expenses	2,140	2,239	9,203	10,327
Other income (expense), net	<u>463</u>	<u>(946)</u>	<u>613</u>	<u>(62)</u>
Operating loss	(743)	(2,986)	(5,154)	(7,245)
Non-operating income, net	<u>804</u>	<u>128</u>	<u>2,554</u>	<u>379</u>
Income (Loss) before income taxes	61	(2,858)	(2,600)	(6,866)
Income taxes	<u>48</u>	<u>263</u>	<u>208</u>	<u>624</u>
Net income (loss) attributable to Deswell Industries, Inc.	\$ 13	\$ (3,121)	\$ (2,808)	\$ (7,490)
Other comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale securities	\$ (12)	\$ 99	\$ 33	\$ 57
Comprehensive income (loss) attributable to Deswell Industries, Inc.	<u>\$ 1</u>	<u>\$ (3,022)</u>	<u>\$ (2,775)</u>	<u>\$ (7,433)</u>
Net income (loss) per share attributable to Deswell Industries, Inc.				
Basic:				
Net income (loss) per share	<u>\$ 0.0008</u>	<u>\$ (0.19)</u>	<u>\$ (0.17)</u>	<u>\$ (0.46)</u>
Weighted average common shares outstanding shares (in thousands)	<u>16,056</u>	<u>16,257</u>	<u>16,056</u>	<u>16,186</u>
Diluted:				
Net income (loss) per share	<u>\$ 0.0008</u>	<u>\$ (0.19)</u>	<u>\$ (0.17)</u>	<u>\$ (0.46)</u>
Weighted average number of shares outstanding (in thousands)	<u>16,056</u>	<u>16,257</u>	<u>16,056</u>	<u>16,186</u>