

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

REPORT OF FOREIGN ISSUER

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Securities Exchange Act of 1934

For June 20, 2024

Commission File Number: 001-33900

DESWELL INDUSTRIES, INC.
(Registrant's name in English)

10B Edificio Associacao Industrial de Macau
32-36 Rua do Comandante Mata e Oliveira
Macau
Special Administrative Region, PRC
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

Deswell Announces Second Half 2024 Results

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

FOR IMMEDIATE RELEASE

MACAO (June 20, 2024) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its unaudited financial results for the second half of the fiscal year ended March 31, 2024.

Net sales for the six months ended March 31, 2024 were \$31.6 million, a decrease of 4.4% compared to net sales of \$33.1 million for the six months ended March 31, 2023. Net sales decreased by 18.4% to \$6.1 million in the plastic segment and by less than one percent to \$25.5 million in the Company's electronic segment.

Total gross margin increased to 20.7% during the six months ended March 31, 2024, as compared to 17.3% in the same period last year. For the plastic segment, gross profit margin increased to 27.1% of net sales for the second half of fiscal 2024, as compared to 17.8% of net sales for the corresponding period of the last fiscal year. The increase in gross profit margin in the plastic segment is mainly attributable to decreased raw material and labor costs as a result of the depreciation of the renminbi, as well as the change of product mix. Gross profit margin in the electronics segment increased to 19.2% in the second half of fiscal 2024, as compared 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 labor costs due to continuous cost control measures taken.

Operating income for the second half of fiscal 2024 increased from \$0.8 million in the second half of fiscal 2023 to \$1.5 million in the second half of fiscal 2024.

The Company reported net income of \$4.2 million for the six months ended March 31, 2024, as compared to net income of \$2.6 million for the six months ended March 31, 2023. Non-operating income for the six months ended March 31, 2024 was \$2.6 million, as compared to non-operating income of \$1.7 million in the six months ended March 31, 2023. Non-operating income during the six months ended March 31, 2024 was primarily comprised of \$884,000 from unrealized gain in marketable securities, \$260,000 from rental income, \$695,000 on dividend income from securities investments, and \$351,000 from other income, as compared to an unrealized gain of \$381,000 on marketable securities, rental income of \$330,000, dividend income of \$445,000 from securities investments and a realized gain of \$461,000 on the sale of marketable securities in the second half of fiscal 2023. Deswell reported basic and diluted income per share of \$0.26 for the second half of fiscal 2024 (based on 15,935,000 and 15,992,000 weighted average shares outstanding, respectively), as compared to basic and diluted income per share of \$0.16 (based on 15,935,000 and 16,000,000 weighted average shares outstanding, respectively), for the six months ended March 31, 2023.

Net sales for the year ended March 31, 2024 were \$69.4 million, a decrease of 10.5% compared to net sales of \$77.5 million for fiscal 2023. Operating income for the year ended March 31, 2024 increased to \$3.8 million from \$2.9 million in fiscal 2023. The Company reported net income of \$7.7 million in fiscal 2024, as compared to net income of \$2.1 million for the year ended March 31, 2023. The increase in net income was mainly attributable to the increases in gross profit and non-operating income for fiscal 2024, as compared to the prior fiscal year. Deswell reported basic and diluted net income per share of \$0.48 for fiscal 2024 (based on 15,935,000 and 15,999,000 weighted average shares outstanding, respectively), as compared to basic and diluted net income per share of \$0.13 (based on 15,935,000 and 16,072,000 weighted average shares outstanding, respectively), for the prior fiscal year.

The Company's financial position remained strong, with \$15.8 million in cash and cash equivalents and working capital totaling \$66.8 million as of March 31, 2024. Furthermore, the Company has no long-term or short-term borrowings as of March 31, 2024.

Mr. Edward So, Chief Executive Officer, commented, "We continued to see sales pressure in the back half of fiscal 2024, related to consumer caution around discretionary purchases as the worldwide economy continues to contend with an inflationary environment. Nonetheless, we were pleased to achieve improved margin performance as well as enhanced profitability in both the last six months of fiscal 2024 and for full year 2024. Our margin performance was favorably impacted by a decrease in labor and materials costs associated with the depreciation of the renminbi, changes to our product mix, and the effect of the cost control measures we have undertaken."

"Our balance sheet is strong, reflecting a solid cash position and no debt providing us with the resources to focus on increasing our customer base and recognition in the industry as a dependable and effective partner for outsourced manufacturing operations."

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, 2024. The dividend will be payable on July 19, 2024 to shareholders of record as of July 5, 2024.

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.

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)

ASSETS	March 31, 2024	March 31, 2023
	(Unaudited)	(Audited)
Current assets:		
Cash and cash equivalents	\$ 15,750	\$ 22,160

Time deposits with original maturing over three months	13,979	3,053
Time deposits with original maturing over twelve months - current	-	1,047
Marketable securities (note 2)	23,026	20,722
Held-to-Maturity Investment	5,157	-
Accounts receivable, net	11,986	15,704
Inventories (note 3)	12,129	17,325
Prepaid expenses and other current assets	1,228	1,149
Total current assets	83,255	81,160
Property, plant and equipment, net	24,603	26,051
Deferred income tax assets	419	262
Time deposits with original maturing over twelve months	2,799	2,906
Total assets	<u>\$ 111,076</u>	<u>\$ 110,379</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities			
Accounts payable	\$ 5,210	\$ 6,949	
Accrued payroll and employee benefits	7,159	7,943	
Customer deposits	1,712	2,216	
Other accrued liabilities	1,236	1,989	
Income taxes payable	1,113	1,149	
Total current liabilities	16,430	20,246	
Deferred income tax liabilities	476	484	
Total liabilities	<u>\$ 16,906</u>	<u>20,730</u>	
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;			
Treasury stock at cost; 1,146,571 shares as of March 31, 2022 and 2023	53,202 (2,821)	53,202 (2,821)	
Additional paid-in capital	7,973	7,973	
Accumulated other comprehensive income	5,316	5,316	
Retained earnings	30,500	25,979	
Total shareholders' equity	94,170	89,649	
Total liabilities and shareholders' equity	<u>\$ 111,076</u>	<u>\$ 110,379</u>	

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,	
	2024	2023	2024	2023
Net sales	\$ 31,638	\$ 33,105	\$ 69,368	\$ 77,543
Cost of sales	25,097	27,380	55,465	64,704
Gross profit	6,541	5,725	13,903	12,839
Selling, general and administrative expenses	5,241	5,215	10,501	10,966
Other income, net	183	337	383	1,014
Operating income	1,483	847	3,785	2,887
Non-operating (expenses) income, net	2,610	1,737	4,034	(573)
Income, before income taxes	4,093	2,584	7,819	2,314
Income taxes expense (benefit)	(59)	(35)	110	255
Net income attributable to Deswell Industries, Inc.	\$ 4,152	\$ 2,619	\$ 7,709	\$ 2,059
Other comprehensive income	\$ -	\$ -	\$ -	\$ -
Total comprehensive income attributable to Deswell Industries, Inc.	<u>\$ 4,152</u>	<u>\$ 2,619</u>	<u>\$ 7,709</u>	<u>\$ 2,059</u>

Net income per share attributable to
Deswell Industries, Inc. (note 4)

Basic:			
Net income per share	\$ 0.26	\$ 0.16	\$ 0.48
Weighted average common shares outstanding (shares in thousands)	<u>15,935</u>	<u>15,935</u>	<u>15,935</u>

Diluted:

Net income per share	\$ 0.26	\$ 0.16	\$ 0.48	\$ 0.13
Weighted average common shares outstanding (shares in thousands)	<u>15,992</u>	<u>16,000</u>	<u>15,999</u>	<u>16,072</u>

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

(U.S. dollars in thousands)

	Year ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 7,709	\$ 2,059
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,523	1,709
Provision for (reversal of) credit losses, net	76	(229)
Allowance for obsolete inventories, net	-	116
(Gain) loss on disposal of property, plant and equipment	74	(18)
Unrealized holding (gain) loss on marketable securities	(952)	3,973
Gain on sale of marketable securities	-	(581)
Deferred income tax benefit	(165)	(178)
Changes in operating assets and liabilities:		
Accounts receivable	3,642	2,720
Inventories	5,196	6,378
Prepaid expenses and other current assets	(79)	777
Accounts payable	(1,739)	(2,889)
Accrued payroll and employee benefits	(784)	332
Customer deposits	(504)	(127)
Other accrued liabilities	(753)	(961)
Income taxes payable	(36)	(83)
Net cash provided by operating activities	13,208	12,998
Cash flows from investing activities		
Purchase of property, plant and equipment	(381)	(792)
Proceeds from sale of property, plant and equipment, net of transaction costs	232	67
Purchase of marketable securities	(1,352)	(3,469)
Proceeds from sales of marketable securities	-	3,854
(Increase) decrease of fixed deposits with original maturing over three months	(10,926)	1,301
Decrease (increase) of fixed deposits with original maturing over twelve months	1,154	(2,076)
Increase in held-to-maturity investment	(5,157)	-
Net cash used in investing activities	(16,430)	(1,115)
Cash flows from financing activities		
Dividends paid	(3,188)	(3,188)
Proceeds from exercise of stock options	-	-
Net cash used in financing activities	(3,188)	(3,188)
Net decrease in cash and cash equivalents	(6,410)	8,695
Cash and cash equivalents, beginning of year	22,160	13,465
Cash and cash equivalents, end of year	15,750	22,160
Supplementary disclosures of cash flow information:		
Cash paid during the year for:		
Interest	-	-
Income taxes	227	418

DESWELL INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(U.S. dollars in thousands except per share data)

1. Management's Statement

In the opinion of Management, the accompanying unaudited financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of Deswell Industries, Inc. (the "Company") at March 31, 2024 and March 31, 2023; the results of operations for the six months and year ended March 31, 2024 and March 31, 2023; and the cash flows for the year ended March 31, 2024 and 2023. The notes to the Consolidated Financial Statements contained in the Form 20-F Annual Report filed on July 28, 2023 under the Securities Exchange Act of 1934 should be read in conjunction with these Consolidated Financial Statements.

2. Marketable securities and other securities investments

Marketable securities and other securities investments include debt and equity securities of which the aggregate fair value, unrealized gain (loss)

and cost are as follows:

	<u>March 31, 2024</u>		
	<u>Cost</u>	<u>Gross Unrealized (Loss)</u>	<u>Fair value</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Marketable securities			
Equity securities	\$ 25,644	\$ (2,618)	\$ 23,026
 March 31, 2023			
 Marketable securities			
Equity securities	\$ 24,292	\$ (3,570)	\$ 20,722

Marketable Securities

The Company acquired equity securities listed on the Hong Kong Stock Exchange and Australian Securities Exchange. These securities are recorded at fair value based on quoted market prices.

Unrealized income from these marketable securities for the six months ended March 31, 2024 is included in the non-operating income of the consolidated statement of operations and comprehensive income.

During the second half of fiscal 2024, there was no realized gain from the sale of marketable securities.

3. Inventories

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
	<u>\$</u>	<u>\$</u>
Inventories by major categories:		
Raw materials	\$ 8,747	\$ 12,987
Work in progress	2,285	2,723
Finished goods	1,097	1,615
	<u>\$ 12,129</u>	<u>\$ 17,325</u>

4. Earnings Per Share

The basic net income per share and diluted net income per share are computed in accordance with ASC No. 260, "Earnings Per Share" (formerly the SFAS No.128 "Earnings Per Share").

The basic net income per share is computed by dividing income available to common holders by the weighted average number of common shares outstanding during the period. Diluted net income per share gives effect to all potentially dilutive common shares outstanding during the period.

The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. In computing the dilutive effect of potential common shares, the average stock price for the period is used in determining the number of treasury shares assumed to be purchased with the proceeds from the exercise of options.

The net income for the six months ended March 31, 2024 and 2023 were both from the Company's continuing operations.

DESWELL INDUSTRIES, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

General

The Company's revenues are derived from the manufacture and sale of (i) injection-molded plastic parts and components, and (ii) electronic products and subassemblies of audio equipment. The Company carries out all of its manufacturing operations in southern China, where it is able to take advantage of the lower overhead costs and less expensive labor rates as compared with Hong Kong.

Six Months Ended March 31, 2024 Compared to Six Months Ended March 31, 2023

Net Sales - The Company's net sales for the six months ended March 31, 2024 were \$31,638,000, a decrease of \$1,467,000 or 4.4% as compared to \$33,105,000 in the corresponding period in fiscal 2023. The decrease was related to decreases of \$1,375,000 in our plastic segment and \$92,000 in our electronic segment, as compared with the respective net sales from these segments in the corresponding period of the prior fiscal year.

The decrease in net sales in the plastic segment was mainly related to decreases in orders of \$1,967,000 from existing customers for printer, telephone and office equipment, \$194,000 for plastic and gardening tool boxes, as well as \$362,000 for robotic mops and vacuum cleaners, offsetting increases in orders of \$1,079,000 for tooling and other plastic products from other existing customers.

The revenue decrease in the electronic segment was mainly due to decreases in orders of \$2,922,000 from existing customers for home entertainment products, offsetting increases in orders of \$2,831,000 for digital audio work stations from other existing customers.

Gross Profit - Gross profit for the second half of fiscal 2024 was \$6,541,000, representing a gross profit margin of 20.7%. This is compared to the overall gross profit and gross profit margin of \$5,725,000 or 17.3% for the second half of fiscal 2023.

Gross profit in the plastic segment for the six months ended March 31, 2024 was \$1,650,000 or 27.1% of net sales in the segment, as compared to \$1,329,000 or 17.8% of net sales in the segment for the same period in the prior fiscal year. The increase in gross margin for the plastic segment was mainly due to the relative decrease in the costs of primary materials and labor, resulting from the depreciation of the renminbi, when compared with the same period of last year, as well as the change of product mix.

During the six months ended March 31, 2024, gross profit in the electronic segment was \$4,891,000 or 19.2% of net sales in the segment, as compared to \$4,396,000 or 17.2% of net sales in the segment for the same period in the last fiscal year. The increase in gross margin was mainly attributable to decreased raw materials and labor costs as a result of the depreciation of the renminbi, and also cost control measures taken, as compared with the same period of last fiscal year.

Selling, General and Administrative Expenses - SG&A expenses for the six months ended March 31, 2024 were \$5,241,000 or 16.6% of total net sales, as compared to \$5,215,000 or 15.8% of total net sales for the six months ended March 31, 2023.

Corporate expenses decreased by \$87,000 to \$708,000 for the six months ended March 31, 2024 as compared to \$795,000 for the same period ended March 31, 2023. The decrease was primarily related to decreases in director remunerations.

SG&A expenses in the plastic segment decreased by \$320,000 to \$1,712,000 or 28.1% of net sales in the segment for the second half of fiscal 2024, compared to \$2,032,000 or 27.2% of net sales in the segment for the corresponding period in fiscal 2023. In terms of total SG&A expense, the decrease was due to decreases of \$193,000 in administrative staff costs, \$54,000 in costs of utilities, and \$26,000 in other expenses, as compared to the same period in the prior fiscal year.

SG&A expenses in the electronic segment increased by \$433,000 to \$2,821,000 or 11.0% of net sales in the segment for the six months ended March 31, 2024, compared to \$2,388,000 or 9.3% of net sales in the segment for the corresponding period in fiscal 2023. The increase in SG&A expenses was primarily related to increases of \$380,000 in staff costs as well as \$51,000 in local government taxes and charges, when compared to the corresponding period in the prior fiscal year.

Other Income (Expense) - Other income was \$183,000 for the six months ended March 31, 2024, as compared to other income of \$337,000 in the corresponding six months of the prior fiscal year.

On a segment basis, other expense attributable to the plastic segment for the six months ended March 31, 2024 was \$65,000, as compared to other income of \$348,000 for the same period in the prior fiscal year. The decrease in other income was mainly due to an exchange gain of \$10,000, and a loss of \$85,000 from disposal of fixed assets during the second half of fiscal 2024, as compared to an exchange gain of \$193,000 and a reversal of provisions of \$153,000 for doubtful debts during the same period of fiscal 2023.

Other income attributable to the electronic segment for the six months ended March 31, 2024 was \$248,000, as compared with other expense of \$11,000 for the corresponding period in the prior fiscal year. The increase in other income was mainly due to increases of \$198,000 in exchange gain and \$194,000 from other income, offsetting an increase of \$117,000 for provision of doubtful debts during the six months ended March 31, 2024, when compared with the same period of last fiscal year.

Operating Income - Operating income was \$1,483,000 for the six months ended March 31, 2024, as compared to operating income of \$847,000 in the corresponding six months in the prior fiscal year.

Corporate expenses of \$708,000 and \$795,000 were incurred during the second half of fiscal 2024 and 2023, respectively.

On a segment basis, the operating loss of the plastic segment was \$127,000 in the six months ended March 31, 2024, as compared to operating loss of \$355,000 in the corresponding period in fiscal 2023. The decrease in operating loss in the plastic segment was mainly due to the increase in gross margin, offsetting the decrease in other income as described above.

The electronic segment reported operating income of \$2,318,000 in the six months ended March 31, 2024, compared to operating income of \$1,997,000 in the corresponding period in fiscal 2023. The increase in operating income was mainly due to the increases in gross margin and other income as described above.

Non-Operating Income - Non-operating income for the six months ended March 31, 2024 was \$2,610,000, as compared to non-operating income of \$1,737,000 in the corresponding period in fiscal 2023. This was primarily due to increases of \$250,000 in dividend income from investments in securities, \$290,000 in interest income, \$503,000 in fair value of the marketable securities held for sale, as well as \$361,000 from other income, offsetting decreases of \$70,000 in rental income, and \$461,000 from realized gain on the sale of marketable securities during the six months ended March 31, 2024, as compared to the same period of the prior fiscal year.

Income Taxes - Income tax for the six months ended March 31, 2024 represented a current tax provision of \$86,000 and a deferred tax benefit of \$145,000, as compared to a current tax expense of \$47,000 and a deferred tax benefit of \$82,000 in the corresponding six months of the prior fiscal year.

On a segment basis, there was a current tax expense of \$128,000 and a deferred tax provision of \$22,000 in the plastic segment for the six months ended March 31, 2024, as compared to a current tax expense of \$28,000 and a deferred tax benefit of \$61,000 during the year-ago six months. In the electronic segment, there was a current tax benefit of \$42,000 and a deferred tax benefit of \$167,000 for the six months ended March 31, 2024, as compared to a current tax expense of \$19,000 and a deferred tax benefit of \$21,000 for the corresponding six months of fiscal 2023.

Net Income – The Company had net income of \$4,152,000 for the six months ended March 31, 2024, as compared to net income of \$2,619,000 for the six months ended March 31, 2023. The increase in net income for the second half of fiscal 2024 was mainly attributable to increases in gross margin as well as in non-operating income as described above.

Net income for the plastic segment for the six months ended March 31, 2024 totaled \$1,841,000, as compared to net income of \$1,074,000 for the corresponding six months in fiscal 2023. The increased net income in the second six months of fiscal 2024 for the plastic segment was mainly the result of increases in gross margin and non-operating income, as described above.

Net income for the electronic segment for the six months ended March 31, 2024 was \$3,019,000, compared to net income of \$2,340,000 for the corresponding six months of fiscal 2023. The increase in net income in the second half of fiscal 2024 for the electronic segment was mainly attributable to increases in gross margin and other income as described above.

Year Ended March 31, 2024 Compared to Year Ended March 31, 2023

Net Sales - The Company's net sales for the year ended March 31, 2024 were \$69,368,000, a decrease of \$8,175,000 or 10.5% as compared to \$77,543,000 in the corresponding period in fiscal 2023. The decrease was related to decreases in sales revenues of \$3,432,000 in our plastic segment, and of \$4,743,000 in our electronic segment, as compared with respective net sales from these segments in the corresponding period of the prior fiscal year.

The revenue decrease in the plastic segment was mainly due to decreases in orders of \$3,510,000 from existing customers for printer, telephone and office equipment, \$872,000 for plastic and gardening tool boxes, as well as \$1,319,000 for robotic mops and vacuum cleaners, offsetting increases in orders of \$2,192,000 for tooling and other plastic products from other existing customers.

The revenue decrease in the electronic segment was mainly due to decreases in orders of \$8,796,000 from existing customers for home entertainment products, offsetting increases in orders of \$4,053,000 for digital audio work stations from other existing customers.

Gross Profit - Gross profit for the year ended March 31, 2024 was \$13,903,000 representing a gross profit margin of 20.0%. This is compared with the overall gross profit and gross profit margin of 12,839,000 or 16.6% for the year ended March 31, 2023.

Gross profit in the plastic segment increased by \$449,000 to \$2,882,000 or 23.3% of net sales in the segment for the year ended March 31, 2024, as compared to \$2,433,000 or 15.4% of net sales in the segment for the same period in the prior fiscal year. The increase in gross profit for the plastic segment was mainly due to the decreases in the cost of raw materials resulting from the depreciation of the renminbi, despite the decrease in demand from customers for certain products, when compared with prior fiscal year, as well as the change of product mix.

Gross profit in the electronic segment increased by \$615,000 to \$11,021,000 or 19.3% of net sales in the segment for the year ended March 31, 2024, as compared to \$10,406,000 or 16.9% of net sales in the segment in the prior fiscal year. The increase in gross margin is attributable to relatively lower labor costs as a result of continuous cost control measures taken and the depreciation of the renminbi, when compared with last fiscal year.

Selling, General and Administrative Expenses - SG&A expenses for the year ended March 31, 2024 slightly decreased by \$465,000 to \$10,501,000 or 15.1% of total net sales, as compared to \$10,966,000 or 14.1% of total net sales for the year ended March 31, 2023.

Corporate expenses slightly decreased by \$150,000 to \$1,262,000 for the year ended March 31, 2024, as compared to \$1,412,000 for the year ended March 31, 2023, related to a decrease in director remunerations.

SG&A expenses in the plastic segment decreased by \$505,000 to \$3,563,000 or 28.8% of net sales in the segment for the year ended March 31, 2024, compared to \$4,068,000 or 25.7% of net sales in the segment for fiscal 2023. The decrease in total SG&A expenses was primarily related to decreases of \$266,000 in staff costs, \$91,000 in selling expense and \$93,000 in depreciation, as compared with the same period in the prior fiscal year. The SG&A expense as a percentage of total sales revenues was relatively higher due to lower sales revenues during fiscal 2024 as compared with fiscal 2023.

SG&A expenses in the electronic segment increased by \$190,000 to \$5,676,000 or 10.0% of net sales in the segment for the year ended March 31, 2024, compared to \$5,486,000 or 8.9% of net sales in the segment for fiscal 2023. The slight increase in total SG&A expense was mainly due to increases of \$42,000 in local government taxes and charges, and \$148,000 in staff costs when compared to the prior fiscal year.

Other Income, Net - Other income was \$383,000 for the year ended March 31, 2024, as compared to other income of \$1,014,000 in the prior fiscal year.

On a segment basis, other expenses attributable to the plastic segment for the year ended March 31, 2024 were \$190,000, as compared to other expense of \$285,000 for the prior fiscal year. Other expense was lower in fiscal 2024 mainly due to an exchange loss of \$178,000, and a loss of \$79,000 from disposal of fixed assets, offsetting a gain of \$57,000 on sales of materials during fiscal 2024, as compared to an exchange loss of \$570,000, offsetting a reversal of provisions of \$199,000 for doubtful receivables, and a gain of \$85,000 on sales of materials in fiscal 2023.

Other income attributable to the electronic segment for the year ended March 31, 2024 was \$573,000, as compared with other income of \$1,299,000 for the prior fiscal year. The decrease in other income was mainly due to an exchange gain of \$165,000 and gains of \$108,000 from sales of materials and of \$382,000 from other income, offsetting a provision of \$87,000 for doubtful debts during the year ended March 31, 2024, as compared to an exchange gain of \$313,000 and gains of \$118,000 from sales of materials and of \$818,000 from other income during fiscal 2023.

Operating Income - Operating income was \$3,785,000 for the year ended March 31, 2024, as compared to operating income of \$2,887,000 in the prior fiscal year.

Corporate expenses of \$1,262,000 and \$1,412,000 were incurred during the fiscal year of 2024 and 2023, respectively.

On a segment basis, the operating loss in the plastic segment was \$871,000 in the year ended March 31, 2024, as compared to operating loss of \$1,920,000 in fiscal 2023. The decrease in operating loss in the plastic segment was mainly due to higher gross margin and lower SG&A expenses, as a

result of the depreciation of the renminbi, as described above.

The electronic segment reported operating income of \$5,918,000 in the year ended March 31, 2024, compared to operating income of \$6,219,000 in fiscal 2023. The decrease in operating income was mainly due to the decrease in other income despite the increase in gross margin, as described above.

Non-Operating Income (Expense) – Non-operating income for the year ended March 31, 2024 was \$4,034,000, as compared to a non-operating expense of \$573,000 in last fiscal year. The increase in non-operating income was primarily due to increases of \$4,925,000 in fair value of marketable securities held, \$414,000 in dividend income and \$387,000 in interest income and \$266,000 from other income, offsetting decreases of \$806,000 in rental income, and \$580,000 in realized gain on the sale of marketable securities during the fiscal year ended March 31, 2024, as compared to fiscal 2023.

Income Taxes – Current tax expense for the year ended March 31, 2024 was \$270,000. The Company had a deferred tax benefit of \$160,000. This is compared to a current tax expense of \$409,000 and a deferred tax benefit of \$154,000 in the last fiscal year.

On a segment basis, there was a current income tax provision of \$68,000 and a deferred tax provision of \$7,000 in the plastic segment for the year ended March 31, 2024, as compared to a deferred tax benefit of \$133,000 during the last fiscal year. In the electronic segment, there was a current tax expense of \$202,000 and a deferred tax benefit of \$167,000 for the year ended March 31, 2024, as compared to a current tax expense of \$409,000 and a deferred tax benefit of \$21,000 in fiscal 2023.

Net Income – The Company had net income of \$7,709,000 for the year ended March 31, 2024, as compared to net income of \$2,059,000 for the year ended March 31, 2023. The increase in net income was mainly due to the increase in non-operating income, as described above.

Net income for the plastic segment for the year ended March 31, 2024 was \$2,233,000, as compared to a net loss of \$2,290,000 for fiscal 2023. The increase in net income in the plastic segment was mainly due to an increase in non-operating income as described above.

Net income for the electronic segment for the year ended March 31, 2024 was \$6,738,000, as compared to net income of \$5,761,000 for fiscal 2023. The increase in net income in the electronic segment was mainly attributable to increases in gross margin as well as in non-operating income as described above.

Liquidity and Capital Resources

The Company relies primarily upon internally generated funds to finance its operations and investments.

As of March 31, 2024, the Company had working capital of \$66,825,000, as compared to \$60,914,000 at March 31, 2023. The Company has generated sufficient funds from its operating activities to finance its operations and there is little need for external financing. The Company had no short or long-term borrowings as of March 31, 2024.

As of March 31, 2024, the Company had cash and cash equivalents of \$15,750,000, as compared to \$22,160,000 at March 31, 2023. During the year ended March 31, 2024, net cash provided by operating activities was \$13,208,000. Net cash used in investing activities was \$16,430,000, which is mainly accounted for by cash used in the purchases of fixed assets of \$381,000 and of marketable securities of \$1,352,000, as well as increases of \$10,926,000 in fixed deposits maturing over three months, and increase of \$5,157,000 in held-to-maturity investments, offsetting proceeds of \$232,000 from the disposal of fixed assets, and the release of \$1,154,000 from fixed deposits maturing over twelve months during the year ended March 31, 2024. Net cash used in financing activities was comprised mainly of \$3,188,000 in dividend payments in the year ended March 31, 2024.

As of March 31, 2024, the Company had no general banking facilities. The Company expects that working capital requirements and capital additions will be funded through internally generated funds.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

For and on behalf of
Deswell Industries, Inc.
by



Edward So
Chief Executive Officer

Date: June 20, 2024