

DESWELL INDUSTRIES INC
Form 6-K
June 29, 2011

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For June 29, 2011

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

17B Edificio Comercial Rodrigues
599 Avenida Da Praia Grande,
Macao, China
(Address of principal executive offices)

Deswell Announces Fourth Quarter Results

- Company Announces Fourth Quarter Dividend of \$0.05 Per Share -

FOR IMMEDIATE RELEASE

MACAO (June 29, 2011) - Deswell Industries, Inc. (Nasdaq: DSWL) announced its financial results for the fiscal fourth quarter ended March 31, 2011.

Net sales for the fourth quarter ended March 31, 2011 were \$16.0 million, a decrease of 4.1% compared to net sales of \$16.7 million for the same quarter ended March 31, 2010. Net sales decreased by 19.0% to \$7.4 million in the plastic segment and increased by 13.9% to \$8.6 million in the Company's electronic and metallic segment. The operating loss in the fourth quarter of fiscal 2011 was \$0.4 million, compared to operating loss of \$1.2 million for the same quarter of fiscal 2010.

Total gross margin increased to 15.3% in the fourth quarter ended March 31, 2011 compared to 12.6% in the same quarter last year. Gross profit margin in the plastic segment decreased to 19.5% of net sales for the fourth quarter of fiscal 2011 compared to 21.9% of net sales for the same quarter of last fiscal year. The decreased gross margin in the plastic segment was mainly due to an increase in labor costs resulting from a raise in the minimum wage rate offsetting decreases in raw material cost and factory overhead as a percentage of sales during the quarter. Gross profit margin in the electronic and metallic segment increased to 11.6% of net sales for the fourth quarter ended March 31, 2011, compared to 1.2% of net sales for the year-ago quarter. The increase in gross margin in the electronic and metallic segment was mainly attributable to a decrease in raw materials cost resulting from lower stock provisions made, and decreased labor costs driven by lower headcount, offsetting the costs related to the raise in minimum wage rate, as compared to the prior year quarter.

The Company reported a net loss of \$0.6 million for the fourth quarter ended March 31, 2011 compared to net loss of \$0.9 million for the quarter ended March 31, 2010. Basic and diluted net loss per share was \$0.04, (based on 16,195,000 and 16,204,000 weighted average shares outstanding, respectively) compared to basic and diluted net loss per share of \$0.06, (based on 16,190,000 and 16,203,000 weighted average shares outstanding, respectively) for the same quarter ended March 31, 2010.

Net sales for the year ended March 31, 2011 were \$84.0 million, an increase of 3.0%, compared to sales of \$81.6 million for the corresponding period in fiscal 2010. Operating loss for the year ended March 31, 2011 was \$8.8 million, compared to operating income of \$1.7 million for the fiscal year of 2010. The Company reported a net loss of \$8.1 million in the fiscal year 2011, compared to net income of \$1.5 million for the year ended March 31, 2010. Deswell reported basic and diluted net loss per share of \$0.50 for the fiscal year of 2011, (based on 16,193,000 and 16,203,000 weighted average share outstanding, respectively), compared to income per share of \$0.09, (based on 15,965,000 and 16,039,000 weighted average shares outstanding, respectively), for the prior fiscal period.

The Company's financial position remained strong at the end of the fourth quarter of fiscal 2011, with \$35.6 million in cash and cash equivalents at March 31, 2011 compared to \$35.1 million at March 31, 2010. Working capital totaled \$59.7 million as of March 31, 2011 versus \$59.8 million as of March 31, 2010. Furthermore, the Company has no long-term or short-term borrowings at March 31, 2011.

Mr. Franki Tse, chief executive officer, commented, "We are very pleased with the improved sales and margins at our electronic and metal segment. Our plastic segment experienced lower sales and margins largely due to its higher sensitivity to labor rates and RMB appreciation. Importantly, we have negotiated and confirmed price increases with some customers and believe this will positively effect to our gross margin. Increasing manufacturing cost and RMB

appreciation, coupled with an uncertain world economic situation are still the main challenges we face. That being said, we are very focused on driving our sales performance and maximizing our margins for shareholders. As can be seen in our performance, we have taken great strides in reducing our overhead and expenses. I am encouraged by our progress and confident that our performance will be further improving in the coming 2011/2012 fiscal year. Since the company's public listing in 1995, we have maintained a very sound financial condition -- a key competitive advantage for us -- with a healthy cash position and no short or long term debt."

Fourth Quarter Dividends

The Company also announced that on June 28, 2011 its board of directors declared a dividend of \$0.05 per share for the fiscal fourth quarter ended March 31, 2011. The dividend will be payable on July 28, 2011 to shareholders of record as of July 8, 2011.