



THE DEWEY ELECTRONICS CORPORATION

27 MULLER ROAD, OAKLAND, NEW JERSEY 07436 • TEL. (201) 337-4700 • FAX: (201) 337-3976

Date: October 7, 2021
From: John Dewey, CEO & President
To: My Fellow Shareholders

I am pleased to present our financial results for the Fiscal Year 2021 (FY21) which ended June 30, 2021.

The Company was very active in FY21, responding to challenges and repositioning for future growth. We sold our building, moved our factory and test facilities to new locations within the building, purchased the assets of INI Power, dealt with the impact of COVID-19 on our labor and supply chain, and fully recovered from the loss of a critical vendor. We also completed most of the manufacturing for the single largest order of generators in many years. (Note that the Company recorded most of that order's revenue after the end of FY21, in the first quarter of FY22.) Much of this activity reduced operating revenues and increased costs resulting in a significant operating loss in FY21; however, because of the building sale Net Profit was positive.

Please refer to my April 5, 2021 letter for details on two of these events: the August 2020 sale of the building and the September 2020 asset purchase of INI Power.

Regarding the sale of the building and the stated goal of returning excess proceeds to the shareholders: Having waited for the release of the FY21 results, we now expect to make an announcement and commence the process by the end of October, or thereabouts.

As mentioned, to date both the building sale and the INI acquisition have had a negative impact on operating profits. However, construction in support of our internal relocation is mainly finished. Meanwhile, we continue to make good progress on the integration of INI Power. Nevertheless, we still do not expect the acquisition to be accretive to profit before October 2022.

There was a **significant increase in inventory supporting** the approximately **\$3M order for new generators** discussed above. However, almost all of that shipped in the first quarter of FY22 and inventory is returning to traditional levels, with some increase due to the INI Power acquisition.

Backlog, as of this writing, was approximately \$3.3 million. \$2.8 million is expected to ship in FY22.

In the **first quarter of FY22**, ending September 30, 2021, **the company shipped \$3.9 million**, primarily made up of the generators mentioned above. Shipments in future quarters are not expected to continue at that pace, nonetheless, with the backlog FY22 looks promising. Of course, no assurances can be made on these or future shipments.

Regarding **COVID-19**, the main issues for the Company are reduced labor availability and ongoing challenges with our international suppliers. This has delayed some revenue, but so far it has mostly increased costs while reducing our speed and flexibility to respond to opportunities and challenges.

Regarding Note 'O' in the financials referring to the larger of the two remaining real-estate parcels: The potential buyer for the **hill property** is still pursuing the transaction. Since my April letter, the contract option has been renewed and then extended. In August 2021, funds were released to the Company from a long-standing deposit; additional funds from a new deposit were released in September. The contract's current closing date is in December 2021. However, with additional non-refundable deposits, the closing date can be extended until January 2023. After subtraction of taxes,



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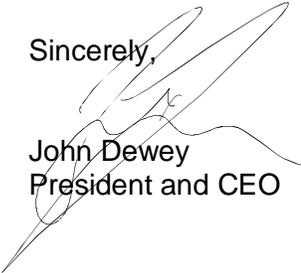
fees, and costs and inclusive of deposits, we currently believe net proceeds could be in the range of \$1.1M and \$1.3M. Of course, we can make no assurances regarding the certainty, timing, or amount of final proceeds.

Lastly, the Company is aware of the **SEC's adoption of amendments to Rule 15c2-11**. I am not a securities lawyer, but I believe the Company is now and will remain in full compliance with the amended rule. Unfortunately for our shareholders, OTC Markets has specified their own more onerous requirements. More unfortunately, the retail brokerage firms choose to defer to OTC Markets rather than follow the SEC's more practical rules. I believe the OTC Markets' requirements are neither useful nor supportive of long-term value for Dewey's shareholders. We too are frustrated. We are proud to be a company that publishes vetted and timely financials, that is, remaining 'dim' rather than 'dark'. I hope our shareholders and those of other 'dim' companies will tell their brokerage firms to do the right thing by following SEC guidance rather than relying solely on OTC Markets.

All statements regarding future events and conditions are either estimates or opinions. No assurances are possible as to whether they will transpire or when and to what degree.

As always, and especially in these times of COVID, I wish to thank our shareholders, customers, vendors, and especially our employees, because they are the ones that made all of our progress possible.

Sincerely,



John Dewey
President and CEO