



Contact:

John G. Nesbett

Ryan Daniels

Lippert/Heilshorn & Associates

212-838-3777

e-mail: jnesbett@lhai.com

**DESWELL INDUSTRIES, INC.
ANNOUNCES 18% INCREASE IN FOURTH QUARTER NET INCOME**

-Company also Announces Fourth Quarter Dividend of \$0.28 per Share -

HONG KONG (June 6, 2002) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its results for the fourth quarter and year ended March 31, 2002.

Net sales for the fourth quarter increased 13% to \$19.0 million compared to sales of \$16.9 million in the fourth quarter ended March 31, 2001. Operating income increased 69% to \$2.7 million for the most recent quarter, compared to \$1.6 million for the year-ago quarter. Net income for the fourth quarter increased 18% to \$2.9 million compared to \$2.5 million for the year-ago quarter. Basic earnings per share and diluted earnings per share increased to \$0.52 and \$0.50 respectively (based on 5,606,000 and 5,745,000 weighted average shares outstanding, respectively), compared to \$0.45 and \$0.45 respectively (based on 5,451,000 and 5,465,000 weighted average shares outstanding, respectively), in the fourth quarter ended March 31, 2001.

Net sales for the year ended March 31, 2002, were \$83.3 million, an increase of 3% compared to sales of \$80.8 million for the year ended March 31, 2001. Operating income increased 9% to 13.9 million, compared to \$12.8 million in the previous year, and net income increased 4% to \$13.3 million, compared to \$12.8 million in the previous year. Basic earnings per share and diluted earnings per share increased to \$2.38 and \$2.36 respectively (based on 5,602,000 and 5,644,000 weighted average shares outstanding, respectively), compared to \$2.38 and \$2.36 respectively (based on 5,376,000 and 5,435,000 weighted average shares outstanding, respectively), for the year ended March 31, 2001.

The Company's balance sheet remains strong. The Company's cash and cash equivalents increased to \$31.5 million at March 31, 2002, compared to \$25.3 million on March 31, 2001. Working capital was \$54.9 million as of March 31, 2002, versus \$47.3 million as of March 31, 2001. The Company has no long-term borrowings.

Mr. Richard Lau, chairman and chief executive officer, commented, "Our efforts to turn around the performance at our electronics-assembly and metallic-products divisions paid off during the quarter with a combined 44% increase in sales at these two divisions. This increase was slightly offset by Jetcrown, our injection-molding division, which experienced a 3.5% decrease in revenues due to the soft economy, particularly in the telecommunications industry where we have some key OEM customers, and a 5% to 10% reduction in pricing. The impact of the pricing adjustment was minimized by higher sales volume and increased efficiency during the quarter. Furthermore, we are encouraged about the prospects for our injection-molding division, particularly due to China's entry into the WTO. The gradual shift of our injection operation to a new factory in early fiscal 2003 significantly increases our production capacity with considerable cost benefits. These savings should be substantially realized in the third quarter of fiscal 2003."

Mr. Lau continued, "Throughout the year we focused on keeping costs down to maximize profits in this uncertain economic environment. I am particularly pleased with our strong gross margins and reduced SG&A as a percentage of sales for the quarter and the year despite increased rental and transportation expenses, as well as an expanded marketing force."

Fourth Quarter & Final Dividends

The Company also announced that on May 30, 2002, its board of directors declared a final cash dividend of \$0.28 per share (totally \$1.00 cash dividend per share for the year ended March 31, 2002, compared to \$0.90 per share in 2001). The dividend will be payable on July 3, 2002, to shareholders of record as of June 17, 2002.

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 pin-through hole ("PHT") interconnection technologies; and finished products such as telephones, telephone answering machines, sophisticated studio-quality audio equipment and computer peripherals. The Company's customers include Kyocera Mita Industrial Co. (H.K.) Limited, Epson Precision (H.K.) Ltd., Namtai Electronics (Shenzhen) Co. Ltd., Inter-Tel Incorporated, Vtech Telecommunications Ltd., Peavey Electronics Corporation, and Emerson.

To learn more about Deswell Industries, Inc., please visit the Company's web site at www.deswell.com.

tables follow

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(U.S. dollars in thousands, except per share data)

	Quarter ended March 31,		Year ended March 31,	
	<u>2002</u> (Unaudited)	<u>2001</u>	<u>2002</u> (Unaudited)	<u>2001</u> (Audited)
Net sales	\$ 19,030	\$ 16,876	\$ 83,320	\$ 80,847
Cost of sales	12,470	11,654	54,448	52,596
Gross profit	<u>6,560</u>	<u>5,222</u>	<u>28,872</u>	<u>28,251</u>
Selling, general and administrative expenses	3,836	3,613	14,939	15,414
Operating income	<u>2,724</u>	<u>1,609</u>	<u>13,933</u>	<u>12,837</u>
Interest expense	(7)	(1)	(26)	(6)
Other income, net	397	305	877	915
Income before income taxes	<u>3,114</u>	<u>1,913</u>	<u>14,784</u>	<u>13,746</u>
Income taxes	43	(245)	535	315
Income before minority interests	<u>3,071</u>	<u>2,158</u>	<u>14,249</u>	<u>13,431</u>
Minority interests	181	(295)	925	621
Net income	<u>\$ 2,890</u>	<u>\$ 2,453</u>	<u>\$ 13,324</u>	<u>\$ 12,810</u>
Basic earnings per share	<u>\$ 0.52</u>	<u>\$ 0.45</u>	<u>\$ 2.38</u>	<u>\$ 2.38</u>
Weighted average number of shares outstanding (in thousands)	<u>5,606</u>	<u>5,451</u>	<u>5,602</u>	<u>5,376</u>
Diluted earnings per share	<u>\$ 0.50</u>	<u>\$ 0.45</u>	<u>\$ 2.36</u>	<u>\$ 2.36</u>
Diluted weighted average number of shares outstanding (in thousands)	<u>5,745</u>	<u>5,465</u>	<u>5,644</u>	<u>5,435</u>

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

	March 31, <u>2002</u> (Unaudited)	March 31, <u>2001</u> (Audited)
ASSETS		
Current assets :		
Cash and cash equivalents	\$ 31,534	\$ 25,330
Restricted cash	2,861	1,988
Marketable securities	1,115	-
Accounts receivable, net	16,888	15,777
Inventories	13,225	12,034
Prepaid expenses and other current assets	3,421	1,833
Income taxes receivable	428	428
Total current assets	<u>69,472</u>	<u>57,390</u>
Property, plant and equipment – net	24,794	25,563
Goodwill	478	513
Total assets	<u><u>\$ 94,744</u></u>	<u><u>\$ 83,466</u></u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,583	\$ 4,274
Bank loans	482	-
Customer deposits and accrued expenses	6,320	5,463
Income taxes payable	165	297
Total current liabilities	<u>14,550</u>	<u>10,034</u>
Minority interests	<u>10,528</u>	<u>9,540</u>
Deferred income tax	<u>15</u>	<u>15</u>
Shareholders' equity		
Common stock		
- authorized 20,000,000 shares; issued and outstanding		
5,580,331 shares at March 31, 2002 and		
5,597,931 shares at March 31, 2001	56	56
Additional paid-in capital	26,522	26,843
Retained earnings	43,073	36,978
Total shareholders' equity	<u>69,651</u>	<u>63,877</u>
Total liabilities and shareholders' equity	<u><u>\$ 94,744</u></u>	<u><u>\$ 83,466</u></u>

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