



Contact:

John G. Nesbett
Ryan Daniels
Lippert/Heilshorn & Associates
212-838-3777
e-mail: jnesbett@lhai.com

DIRECTORS EXERCISE OPTIONS IN DESWELL INDUSTRIES INC.

HONG KONG (August 19, 2002) - Deswell Industries, Inc. (Nasdaq: DSWL) (“the Company”), announced that its executive directors Richard Lau and C.P. Li exercised options totaling 80,000 common shares today. Proceeds to Deswell totaled \$787,000, which will be used for working capital and general corporate purposes.

This was in addition to the options totaling 156,600 common shares exercised by its directors during the period from June 1, 2002, to July 13, 2002. In aggregate, the Company’s directors have exercised options totaling 236,600 common shares during June 1, 2002, to August 19, 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., Inter-Tel Incorporated, Vtech Communications Ltd., Peavey Electronics Corporation and Emerson.

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