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**DIRECTOR EXERCISES OPTIONS IN DESWELL INDUSTRIES INC.**

HONG KONG (September 13, 2002) - Deswell Industries, Inc. (Nasdaq: DSWL) (“the Company”) today announced that its executive director and chairman, Richard Lau, exercised options totaling 18,400 Common Shares on September 12, 2002. Proceeds to Deswell totaled \$181,000, which will be used for working capital and general corporate purposes.

This was in addition to the options totaling 236,600 common shares exercised by its directors during the period June 1, 2002 to August 19, 2002. In aggregate, the Company’s directors had exercised options totaling 255,000 common shares during June 1, 2002 to September 12, 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](http://www.deswell.com).