



Digital Video Systems, Inc.

For Immediate Release

Media Contact: Anne Coffelt

E-Mail: compassrose@vom.com

Telephone: 707.939.9410

Investor Relations: Larissa Licea

E-Mail: ir@dvsystems.com

Telephone: 408.712.4165

**Digital Video Systems, Inc. Announces New R&D Subsidiary Mobile Touch:
Dr. Edmund Y. Sun to Lead Multinational Engineering Team**

SAN JOSE, Calif. January 21, 2003 -- Digital Video Systems, Inc. (DVS/ Nasdaq:DVID) today announced the formulation of Mobile Touch, USA, Inc., a critical new R&D unit charged with the development of digital video and audio consumer products with a focus on mobile markets.

Expectations are that the Mobile Touch division will significantly contribute to the company's plan of expansion of its current digital video products to HDTV and other digital video and audio technologies employing revolutionary new MPEG 4 -10 standards.

Dr. Edmund Y. Sun, DVS founder and Chief Technical Officer, will lead a multinational team of engineers working in the U.S., Korea, Taiwan, Japan and Ireland. Sun, who has played a pivotal role in the Digital Versatile Disc (DVD) advances of the last decade will serve as the driving force in these joint R&D efforts working closely with DVS Korea, a DVS subsidiary headquartered in South Korea.

"Dr. Sun is a visionary with an uncanny ability to anticipate trends in the consumer video, audio and digital video markets," stated Douglas T. Watson, DVS CEO. "This talent combined with his pioneering role in the development of MPEG technology makes him ideally suited to lead DVS and the new Mobile Touch unit into the future."

"The history of DVS, and Dr. Sun's track record in developing new consumer products, offers exciting new possibilities for next generation mobile technologies," commented Watson. "We're really ahead of the curve here, with the new Mobile Touch technical team integrating innovative new software with MPEG 4-10 technology."

About Dr. Edmund Y. Sun

Dr. Sun founded DVS in 1992 and has served as a member of the Board of Directors and in multiple high level management positions since that time. He served as CEO from 1992 to 1998 when he assumed his current role as Chief Technical Officer.

Prior to founding DVS, Dr. Sun founded C-Cube Microsystems Inc., a public company involved in the development of full-color still and motion picture compression technology, and served as its CEO from March 1989 to September 1991, and Chairman of the Board from August 1988 to April 1993. Dr. Sun holds a Ph.D in Applied Physics and an M.S. in Electrical Engineering from California Institute of Technology, and a B.S. in Electrophysics from National Chiao-Tung University in Taiwan.

About Digital Video Systems, Inc.

Ranked Number 335 on the 2002 Deloitte & Touche Technology Fast 500, a ranking of the fastest growing technology companies in North America, DVS has an enviable reputation for potential in an industry that closely scrutinizes performance.

Established in 1992, DVS is a publicly-held company headquartered in San Jose, California, with subsidiaries and branch offices in South Korea and China. DVS specializes in the development and application of digital video technologies and is currently developing and marketing DVD loaders for DVD video players and DVD-ROM drives for personal computers in the consumer electronics and computer peripherals markets.

Any statements made in this release that are not historical facts contain forward-looking information that involves risks and uncertainties. These forward-looking statements include, but are not limited to, statements regarding the expansion of the company's products through the Mobile Touch division. Important factors that may cause actual results to differ include, but are not limited to, the timely availability of components, sufficiency of working capital, the impact of competitive products and services, the company's ability to manage growth and acquisitions of technology or businesses, the effect of economic and business conditions, and other risks detailed from time to time in the company's filings with the Securities and Exchange Commission.

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