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DATA SYSTEMS & SOFTWARE INC

Form 424B3

May 31, 2002

RULE NO. 424(b)(3)  
REGISTRATION NO. 333-76614

Prospectus Supplement No.1, dated May 31, 2002,  
to the Prospectus (the "Prospectus") of  
Data Systems & Software Inc. (the "Company"),  
dated January 25, 2002  
(included in Registration Statement on Form S-3,  
Registration No. 333-76614)

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The Prospectus indicates under the caption "Selling Security Holders" that Kardan Communications Ltd. is a selling security holder with respect to 354,217 shares of our common stock. Kardan Communications has transferred 60,870 shares of our common stock and, as a result, the persons listed below are now selling security holders for purposes of the Prospectus with respect to the number of shares of our common stock indicated:

Name of Selling Security Holder	Number of Shares Prior to Sale	Number of Shares After Sale
Kardan Communications Ltd. (1)	293,347	0
Adv. Yossi Avraham, as Trustee for Meir Givon (2)	10,993	0
Neuwirth Investments Ltd. (3)	60,870	0

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- (1) Kardan Communications Ltd. is a wholly owned subsidiary of Kardan Ltd., a holding company traded on the Tel-Aviv Stock Exchange. Through holding companies, Mr. Yosef Grunfeld controls 36.11% and Mr. Avner Shnur controls 30.21% of the outstanding stock of Kardan Ltd.
  - (2) Pursuant to Israeli tax laws relating to employee incentive plans, a trustee is the nominal owner of Meir Givon's shares of our common stock. Israeli law governs this trust arrangement.
  - (3) Neuwirth Investments Ltd. is wholly-owned by Jacob Neuwirth, the Chief Executive Officer of our subsidiary DSIT Technologies Ltd. (formerly Decisions Systems Israel Ltd.).