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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.).