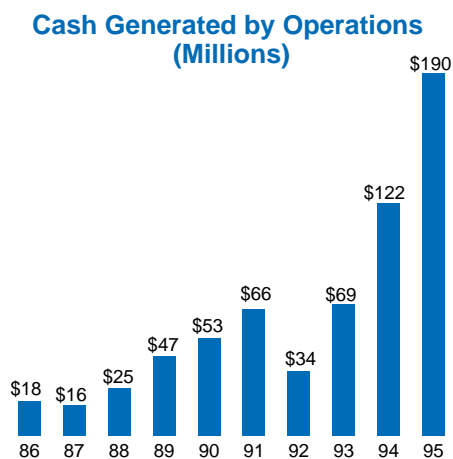
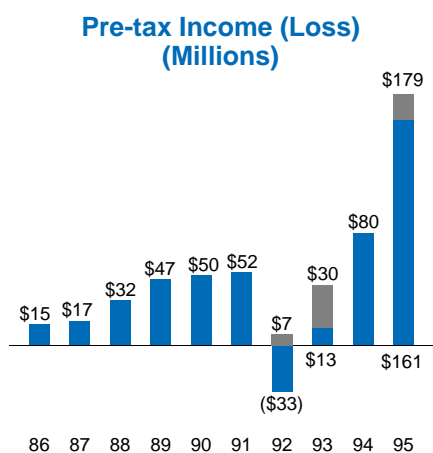


FINANCIAL HIGHLIGHTS

(Dollar and share amounts in thousands, except per share amounts)
 (All share data has been adjusted to reflect the 1995 stock split)

	1995	1994	Change
For the year:			
Revenues	\$596,071	\$406,359	47%
Operating income	159,171	77,792	105%
Net income	102,477	50,472	103%
Net income per share:			
Primary	\$ 1.15	\$ 0.61	89%
Fully diluted	1.09	0.60	82%
At year-end:			
Total assets	\$750,728	\$555,699	35%
Cash and short-term investments	161,618	193,275	(16%)
Stockholders' equity	472,099	352,999	34%
Stockholders' equity per share	\$ 4.84	\$ 3.98	22%
Weighted average common and common equivalent shares:			
Primary	89,347	82,313	9%
Fully diluted	97,583	88,602	10%



- As reported.
- Excluding non-recurring charges, acquisitions and restructuring.

“We expect to eclipse the half-way point of our billion-dollar revenue goal this year—and do it with record profits.”

1994 Annual Report

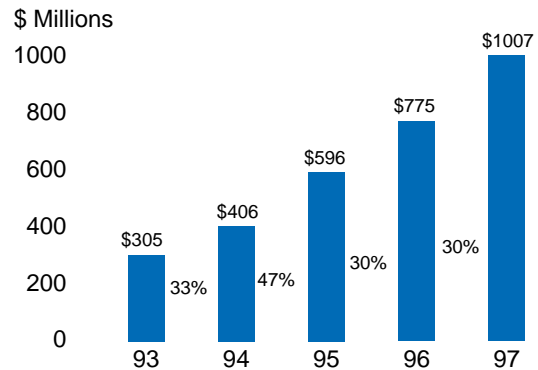
TO OUR SHAREHOLDERS

In the 1994 letter to shareholders, I wrote, “We expect to eclipse the halfway point of our billion-dollar revenue goal this year—and do it with record profits.” The graphs on the front cover show that our 47% revenue growth in 1995 propelled us to \$596 million in sales, well beyond our \$500 million target. And that revenue produced record profits: our earnings per share of \$1.09 in 1995 were up 82% over the \$0.60 reported in 1994.

\$1 BILLION GOAL

With an excellent 1995 behind us, Cypress now faces the challenge to grow at least 30% in 1996 and 30% again in 1997 to achieve its billion-dollar revenue target for 1997. Investors may remember that in our 1993 annual report, I outlined a five-year plan for Cypress to achieve the billion-dollar revenue mark in **1998**. We have since exceeded the goals we set forth in both the

Cypress Revenue Growth

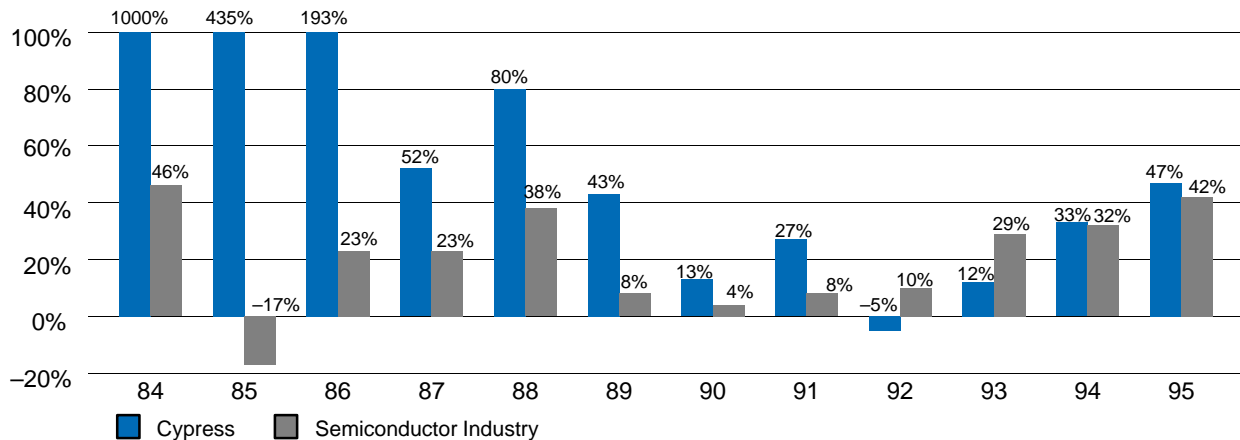


Cypress revenue grew 33% in 1994 and 47% in 1995. To achieve its \$1 billion goal in 1997, Cypress must grow 30% in 1996 and 30% again in 1997.

1993 and 1994 annual reports, and now have accelerated to 1997 our goal to have our first billion-dollar year.

To grow 30% in 1996 after having grown 47% in 1995 may seem simple, but this year will be more challenging for us and our industry than was 1995. Cypress’s 1995 revenue growth rate of 47% exceeded by 5 percentage-points the semiconductor industry’s 42% growth in 1995. The Semiconductor Industry Association has forecast a more modest 1996 industry growth rate of 21%, which Cypress must surpass by a significant 9 percentage-points in order to maintain the 30% growth required to stay on the billion-dollar revenue trajectory for 1997.

Annual Growth Rate vs. Industry



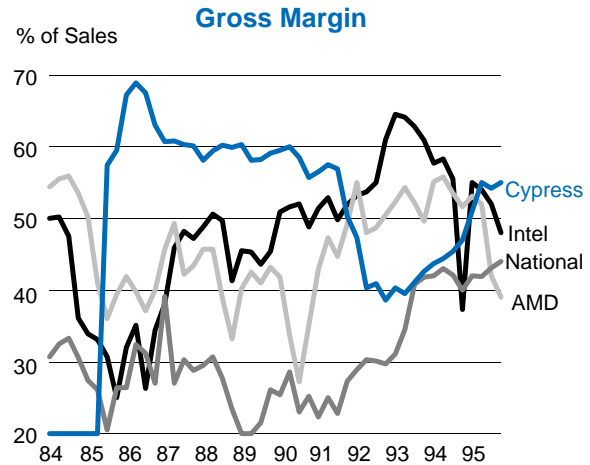
Cypress revenue grew 47% from 1994 to 1995, and over 30% in each of the last two years. Cypress revenue growth outpaced that of the semiconductor industry in nine of our eleven years of production.

Cypress's operating indices improved throughout the year, ending 1995 at 54.6% gross profit margin, 31.6% pre-tax profit margin, and \$381,450 in annualized revenue per employee.

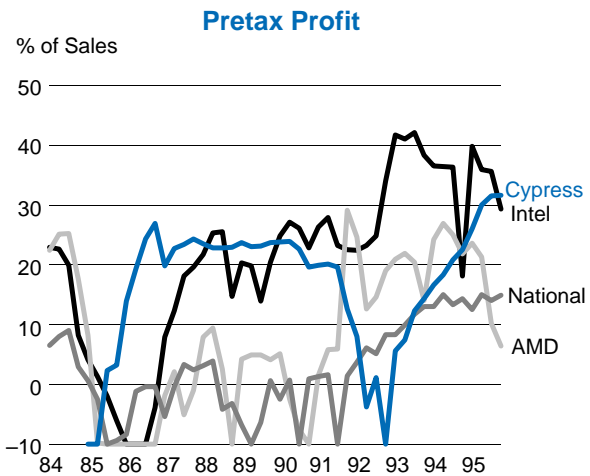
\$1 BILLION STRATEGY

Cypress's 1995 revenue of \$596 million represents an 11.2% market share of our \$5.3 billion served available market (SAM). In the future, if we confined our sales to the markets for our current products, and if we achieved the revenue growth targets described above, we would have to dramatically exceed our current 11.2% share of market (SOM) in order to grow—a very difficult proposition. As I outlined in the 1993 Annual Report, our strategy is not to increase our share of market to very high levels, but to **increase our served available market** by utilizing our core design and technology competencies to create a much broader base of products in the markets we serve. For example, our static RAM products in 1995 served a rather large \$2 billion market, but that SAM amounted to only 49% of the \$4.1-billion total available market (TAM) for static RAMs. Our static RAM strategy for 1996 is to grow by increasing the size of the \$2 billion market we serve while maintaining our share of market, rather than trying to capture a higher percentage of our existing served market.

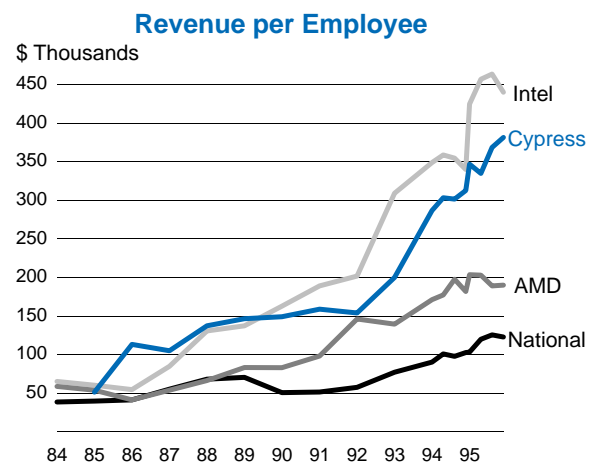
We estimate that, given our current new product plan, the total available market for all Cypress products will be \$18.3 billion in the year 2000, up from \$6.9 billion in 1993. Unfortunately, that growth by a factor of 2.7 in seven years represents a compound annual growth rate of only 15%, half of Cypress's goal for growth. We, therefore, plan to increase our served available market faster than our TAM by introducing products in new areas. We estimate Cypress's SAM will grow to \$16.3 billion in the year 2000, up from only \$2 billion in 1993, a growth rate of 35% per year, one high enough to sustain our desired growth—given our delivery of new products on schedule and the ability to maintain a reasonable 10%–12% share of our served markets.



As compared to the "big three" of Silicon Valley, Cypress's gross margin returned to first place in 1995.

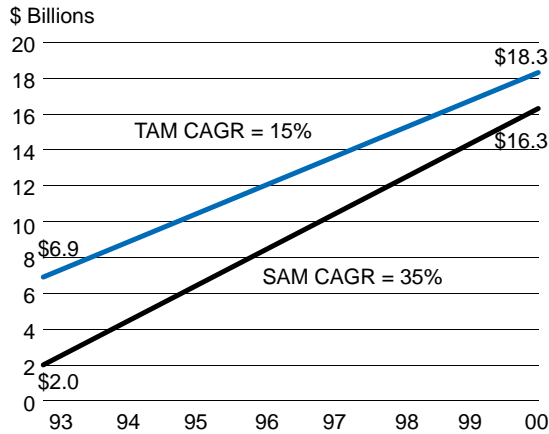


Cypress's pre-tax profit margin hit an all-time high of over 31% in the last half of 1995.



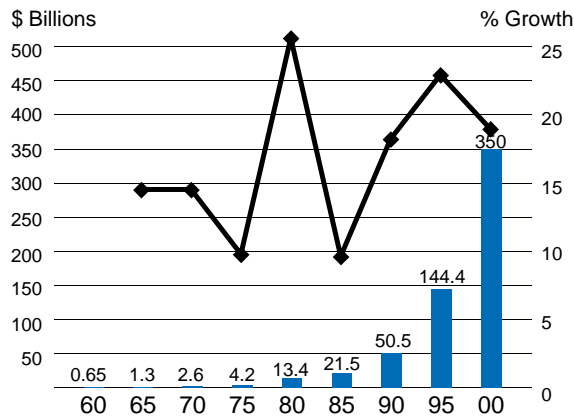
Cypress's annualized revenue per employee set a record of \$381,450 per employee in Q4 of 1995.

Cypress Total and Served Available Markets



Cypress plans to add products to increase its served available market at a compound annual growth rate (CAGR) of 35% per year.

World Semiconductor Market



In 35 years semiconductor industry revenue has grown by a factor of 222 from \$0.65 billion in 1960 to \$144.4 billion in 1995. That growth averages 17% per year. In no five year period has the compound growth rate been less than 10%.

Source: Robertson, Stephens & Co

In 1995, Cypress's \$596 million in revenues represented an 11.2% share of its \$5.3 billion SAM. Our goal is to maintain a 10%–12% share of our served available market, while we increase that SAM at a 25%–40% yearly rate in order to take Cypress to our target of \$1 billion in revenue in 1997 and on to \$2 billion by the year 2000.

The strategic challenges facing our plan are straightforward:

- Will the semiconductor market grow at least 15% per year?
- Can Cypress introduce the new products required to increase our served markets?
- Can Cypress successfully manufacture those new products?

SEMICONDUCTOR MARKET GROWTH

In 1960, the whole semiconductor industry was only as big as Cypress is today. By 1965, the industry had doubled to \$1.3 billion in annual revenue, having grown at a 15% compound annual growth rate from 1960 to 1965. By 1995, the semiconductor industry had truly grown up. With total revenue of \$144 billion, the industry had posted a 17% compound annual growth rate over the 35 years. Even during five-year periods in 1970–1975 and 1980–1985, when the semiconductor industry suffered recessions, growth still averaged 10% per year. Analysts forecast semiconductor industry revenue to reach \$350 billion in the year 2000, growing an average of 19% per year starting in 1996.

Cypress Revenue and SAM Challenge

	93	94	95	96	97	98	99	00
Revenue (\$M)	305	406	596	775	1,007	1,260	1,588	2,000
SAM (\$M)	2,011	3,245	5,324	7,611	9,797	12,100	14,375	16,326
SOM (%)	15%	13%	11%	10%	10%	10%	11%	12%

Rapid expansion of our served market should allow us to meet our \$1 billion and \$2 billion revenue targets without the burden to increase our market share dramatically.

The engine driving the semiconductor business is the electronics business. In 1995, analysts estimated the electronics end market revenue to be huge: approximately \$800 billion. The \$144 billion worth of chips consumed, therefore, represented 18% of the content of all electronics sales. Just a few years ago, in 1992, chips accounted for only 10% of the content of electronics shipments. Overall, the electronics industry is growing at a compound annual growth rate of about 10%. Semiconductor revenue will consequently grow at that 10% rate times the rate of increase of the value added of semiconductors in electronic products. By the year 2000, analysts estimate that 28% of the electronics market will derive from semiconductors. With an increasing share of a growing electronics market, semiconductor sales are forecasted to grow at an annual rate of 25% over the period from 1992 to 2000 (and 19% from 1996 to 2000).

The primary markets driving the semiconductor industry are as follows:

- Data and telecommunications
- Networking
- Personal computation
- Automotive
- Consumer

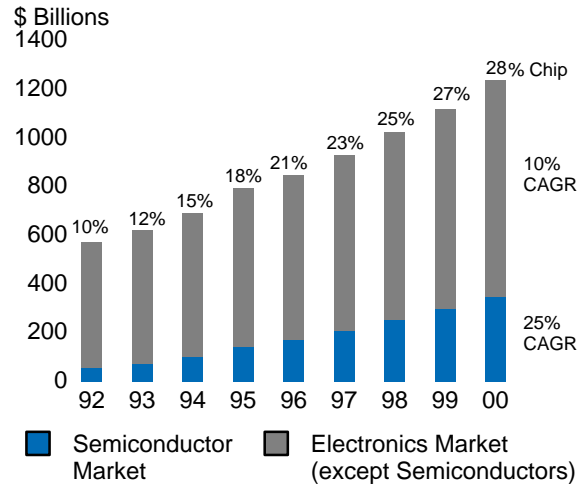
Cypress serves the first three markets.

Cypress's strategic customers are a Who's Who of industry leaders in data and telecommunications, networking and personal computation. In addition, Cypress's broad product line allows us to provide more value to those customers by shipping a diverse product offering to each of them.

NEW PRODUCTS

Most of the new products in our plan to attain our billion-dollar goal in 1997 are either introduced or near completion. In 1996-1997, our primary new product revenue focus will be in six areas: static RAMs, personal computer

Electronics Revenue Growth



The electronics market was \$800 billion in 1995 and is growing at a 10% yearly rate. Semiconductor sales are growing at a faster rate because semiconductors are becoming a greater part of the value added in the electronics industry. Today, automobiles commonly contain ten computers, and integrated circuits are even present in the electronic door knobs in hotels.

Source: Integrated Circuit Engineering Corp. and Robertson, Stephens & Co.

The Right Customers

COMMUNICATIONS	ALCATEL, AT&T, NEC, N. TELECOM, MOTOROLA, SIEMENS
NETWORKING	3COM, ALCATEL, CISCO, DIGITAL EQUIPMENT, HP, INTEL, NEC, SIEMENS
PC	COMPAQ, DIGITAL EQUIPMENT, IBM, INTEL, NEC, SIEMENS

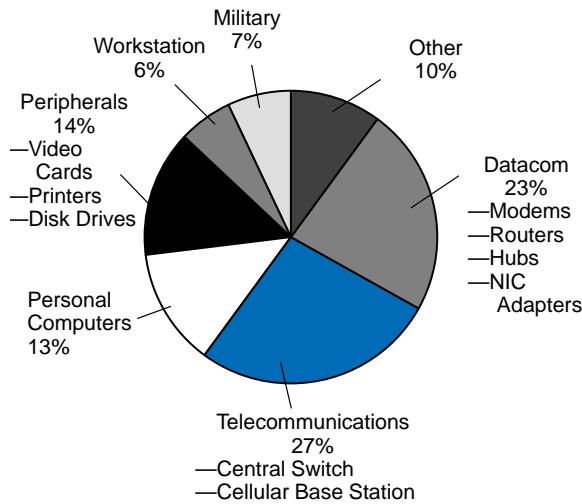
Cypress's strategic accounts are top companies in three fast-growing semiconductor markets.

The Right Products

	1995							1996	
	LOGIC	SRAM	PROM	SPLD	CPLD/FPGA	CLOCK	DCOM	PC LOGIC	ENET
3COM		●			●				●
ALCATEL		●	●		●		●		
AT&T		●	●	●	●	●	●		
CISCO	●	●	●	●	●		●		●
COMPAQ	●	●				●			
DIGITAL	●	●		●			●		●
HP		●		●	●	●	●	●	●
IBM	●	●	●	●	●	●	●	●	
INTEL	●	●		●	●	●			●
MOTOROLA	●	●	●	●	●		●		
NEC	●	●	●	●	●	●	●		
N. TELECOM		●	●	●	●		●		
SIEMENS		●		●		●	●		

Cypress's product lines focus on the needs of our strategic accounts. We ship multiple product types to each.

Cypress SRAM Sales



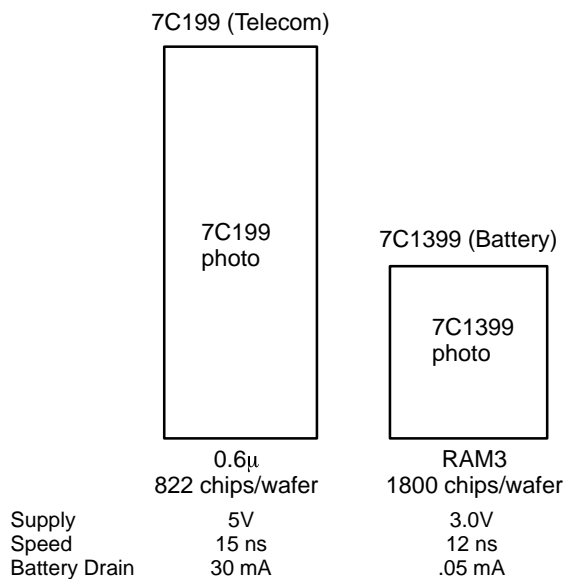
Cypress shipped over \$300 million in static RAMs in 1995, half of them into the data communications and telecommunications areas.

(PC) core logic, Ethernet, electrically programmable read-only memories (EPROMs), complex programmable logic devices (CPLDs), and the specialty memories used in data communications.

Cypress has long been a leader in fast static RAM production. Our fast static RAMs are used in telecommunications, data communications, computer peripherals, and personal computers, in that order. There are two static RAM markets, however, which Cypress has yet to enter, those for battery-powered equipment and games.

Cypress's current highest volume product is the 7C199, a 256K static RAM intended for telecommunications applications. The 0.6-micron technology used to fabricate the 7C199 provides 822 chips on each wafer. Our newest 256K static RAM for battery-powered equipment is the 7C1399, which is fabricated from our advanced RAM3 technology. The higher density of our RAM3 process allows us to pack 1800 chips on a 6-inch wafer. In addition to being faster than the 7C199, the 7C1399 also uses about 1,000 times less battery current as compared to the older product. That speed and power superiority makes the 7C1399 the static RAM of choice for new digital cellular telephone applications, where both high speed and low battery drain are required.

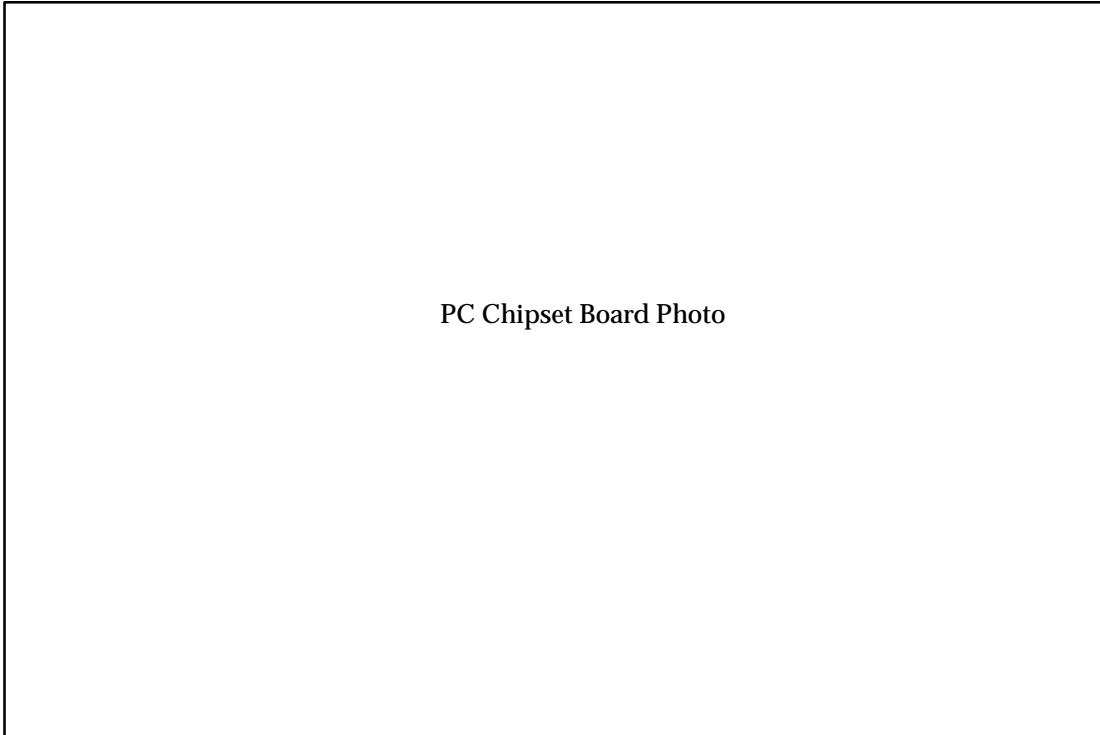
Battery Operated 256K SRAM



Advanced technologies like RAM3 allow Cypress to produce chips which are faster, smaller, and lower in power. The advanced 7C1399 static RAM above is not only superior in performance to the 7C199 static RAM it replaces—it is cheaper to make and sells for a higher price.

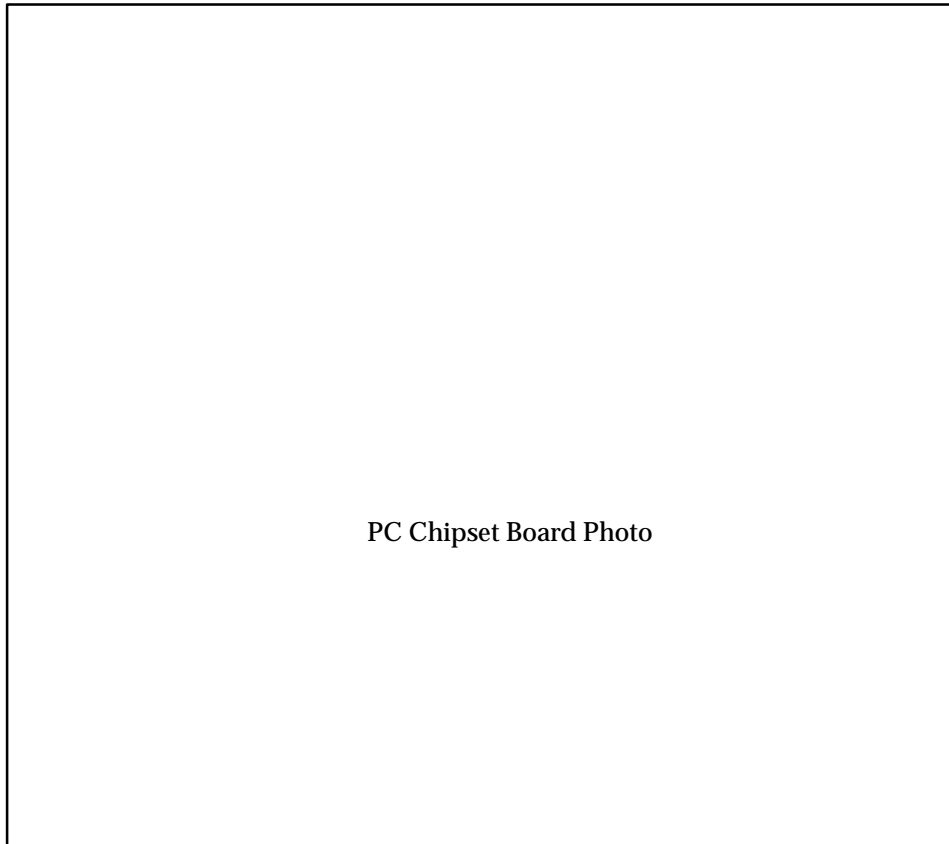
We are also expanding our served market with new personal computer "core logic" products which contain all of the logic in a personal computer, other than the processor. Cypress's hyperCache™ PC chipset, the most highly integrated product on the market, is near release.

Our hyperCache is the first chipset in the market to incorporate the equivalent of the nine static RAMs that are typically added externally to enhance the performance of competing chipsets. By eliminating the need for those extra static RAMs, we provide a highly integrated solution for our customers, allowing them to manufacture a personal computer motherboard



PC Chipset Board Photo

A typical PC motherboard has a microprocessor, chipset, dynamic RAM, and “glue logic” chips.



PC Chipset Board Photo

Cypress's PC core logic solution integrates many of the chips in a PC motherboard to provide a high-performance, high-density solution with only 9 chips, as compared to the 29-chip solution above.

with only a processor, dynamic RAM memory, and four PC core logic chips. This new PC core logic product area will add an estimated \$1.6 billion to our served market by 1997.

Ethernet is the preferred method to connect most personal computers and computer workstations. In early 1996, we plan to ship both 10-megabit and 100-megabit Ethernet “physical layer” chips, the chips that connect the computer to the data transfer medium (wire, optic fiber, etc.).

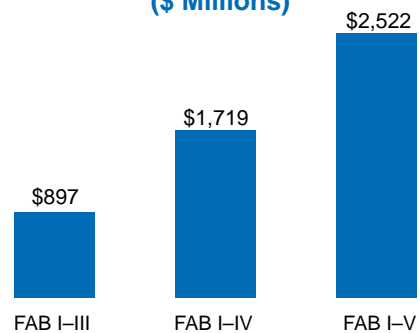
CAPACITY TO GROW

In March 1994, we sold \$110 million of convertible subordinated notes to complete our fourth wafer fabrication plant, on which we broke ground in August 1994. Fab IV in Bloomington, Minnesota, produced its first revenue wafers in only 11 months, and contributed over \$18 million to Cypress’s 1995 revenue. In last year’s annual report, we stated that Fab IV would bring Cypress’s total revenue-generation capacity to \$1,719 million per year. Since all of that capacity is expected to be needed by mid-1997, Cypress has purchased an additional 110 acres in Round Rock, Texas, and broken ground on Fab V, which will be almost identical in its state-of-the-art features and output to Fab IV in Minnesota. Fab V is sized to carry Cypress beyond the \$2-billion revenue mark with production ramping in 1997.

In 1995, we also increased the capacity of our existing wafer fabrication plants in two ways: we added extra clean room area in both Fab II in Round Rock, Texas, and Fab III, the original Minnesota plant. And, we also migrated many of our highest volume products on to newer, higher-efficiency processes which allow greater revenue generation from a given wafer fabrication plant. Based on bigger clean rooms, improved efficiencies, and the addition of Fab V, we now believe that our capacity will be \$1.7 billion with Fabs I through IV operating at full capacity, and will increase to \$2.5 billion with the addition of Fab V. We will acquire our actual capacity—mostly equipment—on a quarterly basis in keeping with our philosophy of “just-in-time” capacity additions.

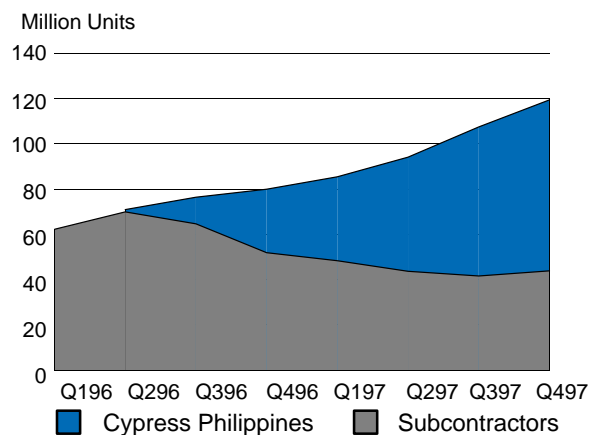
In the second quarter of 1995, Cypress broke ground on a new highly automated assembly and test manufacturing plant in Manila, the Philippines. That facility is expected to more than double our unit output from the current 50 million units per quarter to 120 million units per quarter by the end of 1997. In addition, the new Cypress Philippines facility should help improve margins by reducing “back-end” assembly and test costs by about 50%. The first million units are scheduled to ship from the new plant by mid-1996.

Fab Annual Revenue Capacity (\$ Millions)



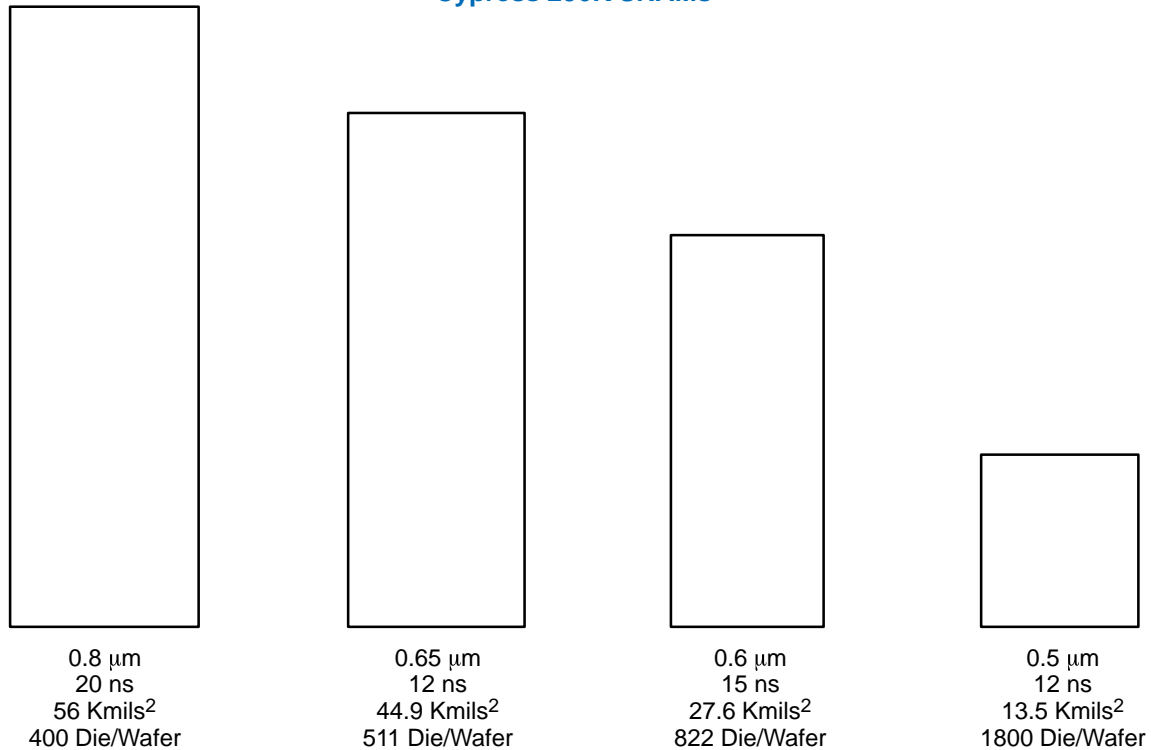
Cypress invested \$100 million in 1995 to increase the capacity of its existing wafer fabrication plants, Fabs I-III. We also built and produced first revenue in a new plant, Fab IV, in Minnesota, which will give us \$1,719 million capacity we will need by plan in 1997. We broke ground on what will be our largest plant, Fab V in Texas. Fab V is expected to produce first revenue in 1997 and have the eventual capacity to carry us beyond the \$2 billion revenue level.

Cypress Philippines to Double Output



We expect Cypress’s new assembly and test plant will allow the company to more than double its unit output over the next two years, reduce its dependence on subcontractors, and reduce its back-end costs by about 50%.

Cypress 256K SRAMs



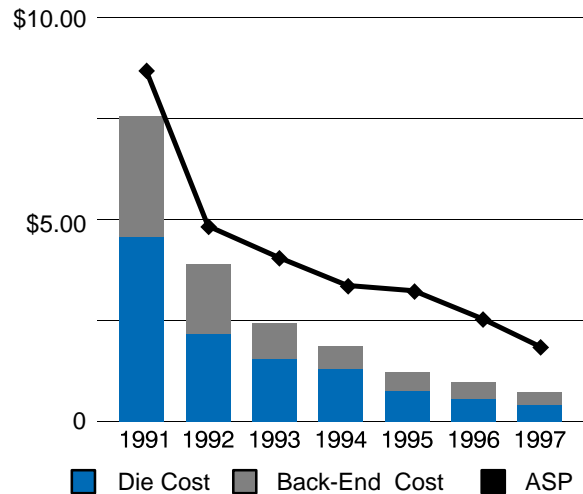
By redesigning the same 256K static RAM product more than a dozen times in ever-improving technologies, we have managed to increase the number of chips on a wafer by a factor of 4.5. Furthermore, each of the new chips is both higher in performance and cheaper to manufacture.

Both the lower cost and higher volume afforded by the Philippine facility are exactly what will be required to keep margins healthy in 1996 and 1997. Since the manufacturing cost of a 256K static RAM chip is expected to fall below \$0.50 in 1996, the reduction of assembly and test costs is essential to reduce costs further. In 1996, we expect that Cypress's top volume product, the 256K static RAM, will see both record volumes and new, lower prices. The prices shown for the 256K static RAM follow a normal price-reduction curve for static RAM products, but they mandate the level of cost reduction in our plan.

FAITH IN THE FUTURE

Most forecasters expect future semiconductor demand to grow at an annual rate of 15%–20%. Even the worst five-year periods in the last 35 years in our industry have yielded no less than 10% compound annual growth rates. We believe that our industry will grow dramatically through the end of the century.

256K SRAM Price and Cost (History and Plan)



The average selling price (ASP) of the 256K static RAM drops according to the semiconductor industry learning curve. To maintain margins as prices drop (and volumes go up), Cypress will have to relentlessly reduce both chip (die) cost and "back-end" assembly and test costs.

We feel that in order to meet our objective to grow faster than the market, we must do an excellent job at:

- creating innovative new products for the right customers (our strategic accounts), who are in the right markets (data communications, telecommunications, and personal computing),
- bringing online sufficient wafer fabrication capacity with industry-leading technology to support that growth, and
- reducing manufacturing costs, to maintain good margins as prices follow industry trends.

We believe that we have the right strategies, people, attitude, and financing to implement those strategies in a timely manner. In other words, we believe in our future. Because of that belief, we recently repurchased \$70 million worth of our shares, as we believe the shares were undervalued and provided us with an opportunity to raise cash for expansion in the future without added share dilution.

We felt the same way in 1993, when we bought back 9.5 million of our shares at \$4.83 per share. Later, in our 1994 offering to fund Fab IV, we sold back those shares at \$11.63 per share. The net of the two transactions not only reduced Cypress's shares outstanding by 1.6 million, but also increased our cash by \$46 million. The recent stock repurchase will allow us to capitalize on an opportunity for our shareholders in the future.

Cypress Buy-back

	Shares (K)	Price	Value (K)
1993 Buy	9,546	\$ 4.83	\$46,084
1994 Sell	7,940	\$11.63	\$92,303
Net	-1,606	+\$6.80	+\$46,319
1995-6 Buy	5,200	\$12.88	\$70,000

In 1993, Cypress felt its shares were undervalued and bought back \$46 million worth. The next year, after growing according to our plans, we sold the shares for \$92 million to fund Fab IV. In late 1995, despite excellent performance, Cypress shares fell below our buy-back prices, and we responded by repurchasing \$70 million worth. We plan to sell these shares in the future to fund growth.

Our goal in 1996 is to take the first of two equal steps toward our 1997 \$1-billion revenue goal. Although the 30%-plus margins we have achieved in 1995 may be difficult to sustain in 1996, we will accept nothing less than excellent profitability on our march to the \$1-billion milestone.

T. J. Rodgers
President and CEO

MARKET PERSPECTIVE

Between 1985 and 1994, the semiconductor industry grew at a 19% annual rate, with worldwide revenue surpassing \$100 billion by 1994. By any benchmark, this growth rate was exceptional. One might have expected subsequent yearly growth rates to show lower growth than the previous decade, if for no other reason than the current size of the industry.

At Cypress, however, we projected that significant growth in the end markets would support a continued 19% growth rate. As a result, we forecasted 1995 as another strong year for the semiconductor industry. We were more than right. In 1995, the semiconductor industry added an additional \$43 billion in revenue, closing the year at \$144 billion, or 42% annual growth. Demand was strong in virtually every industry segment.

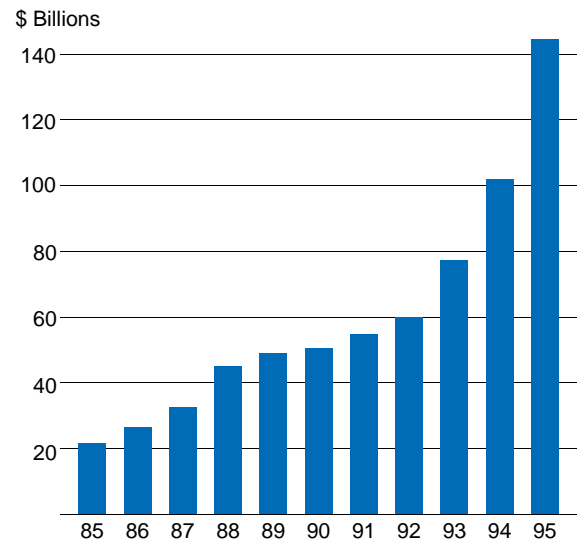
At Cypress, we clearly participated in this explosion of demand, ending the year at a higher growth rate than the industry. Cypress sales increased in 1995 by 47% over 1994, resulting in 1995 revenue of \$596 million.

These strong, long-term industry growth rates appear to represent a seminal change in our industry, and more precisely in the end users of electronic products worldwide. In effect, ownership of electronics products has become increasingly personal. This trend toward purchase of personal electronic systems, and the rapid increase in semiconductor penetration of these personal electronic systems, has been the key driving force in growth for our industry in the past decade.

Historically, semiconductors were used primarily in large, "shared" systems such as:

- Military Systems
- Mainframe Computers
- Minicomputers
- Telecommunications Switching Systems
- Industrial Control
- Test Equipment

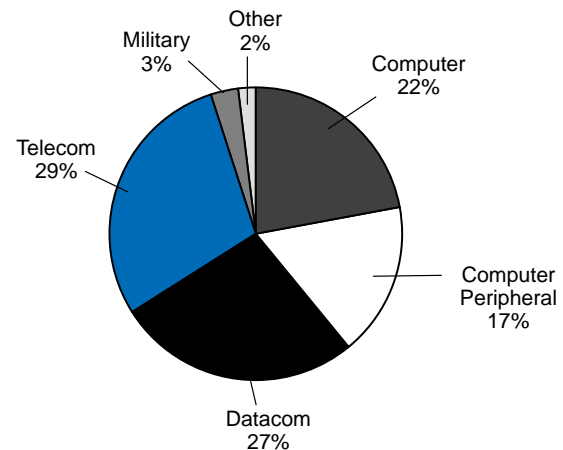
Worldwide Semiconductor Revenue



Worldwide semiconductor revenue growth averages 21% per year.

Source: In-Stat

1995 Revenue (%) by End Market (OEM only)



Semiconductors continue to be used in these shared systems, but these markets are no longer the key drivers for our industry. Personal electronics now dominate semiconductor consumption, and will probably continue to dominate semiconductor consumption for the near future. The end products associated with personal electronics include the products listed on the next page:

Personal Electronic Products	Related Electronic Products
Personal Computers – Desktop	PC Peripherals (Modems, Hard Drives, CD-ROM Drives, Printers, Scanners, Multimedia Cards, Monitors)
	Local Area Network Products (Adapter Cards, Hubs, Bridges, Routers, Media Adapters)
	Broadband Products (ISDN switches, High-speed modems, ATM products)
Personal Computers – Laptop	Peripherals (Modem, Printer, PCMCIA products)
Cellular Telephones	Base Stations (CDMA, AMPS, TDMA, GSM, PHS)
Home Entertainment Systems	
–Games	
–Audio/Video	
–Set-Top Boxes	
–Digital Video Disc (DVD) Systems	

In the past decade, consumption of personal electronics products has increased 100-fold to over \$68 billion. The growth in semiconductor usage for personal electronics is the result of both the increase in demand for these products and the increased level of semiconductor content per product.

For Cypress, the increase in demand for personal electronics is reflected in several end markets. Each of these markets is expected to continue to represent strong growth opportunities for our product families. These end markets can be categorized into four segments:

- Telecommunications Market
- Data Communications Market
- PC Peripherals Market
- PC Market

Telecommunications Market Segment

Cypress has traditionally enjoyed strong revenue growth in land-line switching systems and PBX products. Beginning in 1993, however,

demand in the new field of wireless communication systems provided strong additional revenue growth. Products in this field requiring semiconductors include GSM digital cellular base stations, CDMA and TDMA base stations, PHS (Personal Handy-phone Systems), and digital and analog handsets. Cypress's strategic customers in this field include Alcatel, AT&T, Ericsson, Kyocera, Motorola, Nokia, Northern Telecom, and Siemens. In 1995, telecommunications customers accounted for 29% of Cypress's OEM Revenue.

Telecommunications systems have always demanded high-performance, low-power semiconductors. Cypress products, which are developed with a bias toward high speed and low power, have found broad acceptance in this market. Cypress products used in the digital base stations include SRAMs, FCT logic, FIFOs and Dual-Port RAMs, PROMs, programmable logic, VME controllers and clocks.

Industry forecasts for the wireless industry continue to project strong growth, with an estimated 175 million digital and analog cellular systems expected to be purchased by the end of the decade.

Data Communications Market Segment

The data communications market includes all Local Area Network (LAN) and Wide Area Network (WAN) broadband and baseband systems, including Ethernet and Token Ring adapter boards, Media Adapter Units, LAN Hubs, Controllers, Routers, Switched Ethernet Systems, High-Speed Modems, ISDN Switching Systems, ATM Backbone and Desktop Systems. Cypress's strategic customers in the data communications market segment are very broad and include virtually all of the top network and high-speed modem companies. In 1995, data communications represented 27% of OEM revenue.

The data communications industry is becoming increasingly important to Cypress, primarily as a result of the industry's increased focus on higher bandwidth and faster packet data speed. These two parameters can best be enhanced with the use of large blocks of high-speed SRAM and PROM. Cypress is a leader in the manufacture of both of these product families.

Cypress products used in data communications products include SRAMs, FCT logic, FIFOs and Dual Port RAMs, PROMs, programmable logic and clocks.

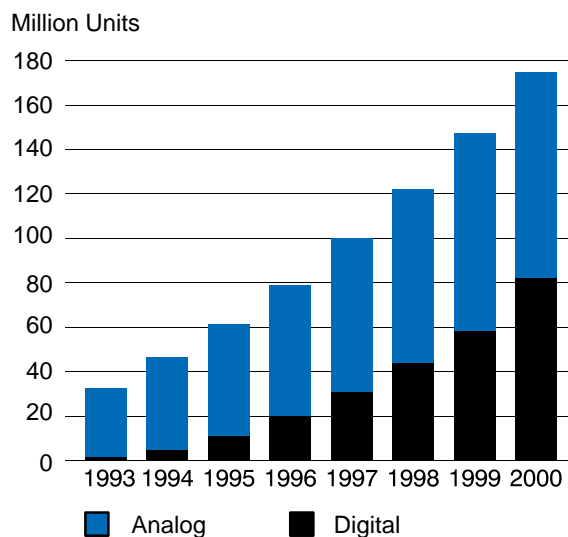
Personal Computer Peripheral Market Segment

Cypress's high-speed SRAMs, PROMs, clocks, and data communications devices have become increasingly common in personal computer peripheral products. This is a direct result of the increased clock and data speed requirements of the modern personal computer products. Cypress products are used in Hard Disk Drives, CD-ROM Drives, Printers, LAN Adapter Cards,

and Modems. In 1995, personal computer peripheral customers represented 17% of OEM revenue.

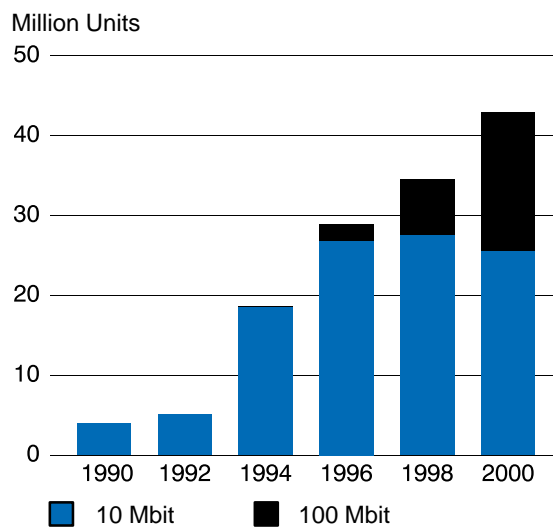
Cypress products used in personal computer peripheral products include SRAMs, FCT logic, PROMs, programmable logic and clocks.

Cellular Handset Market Growth



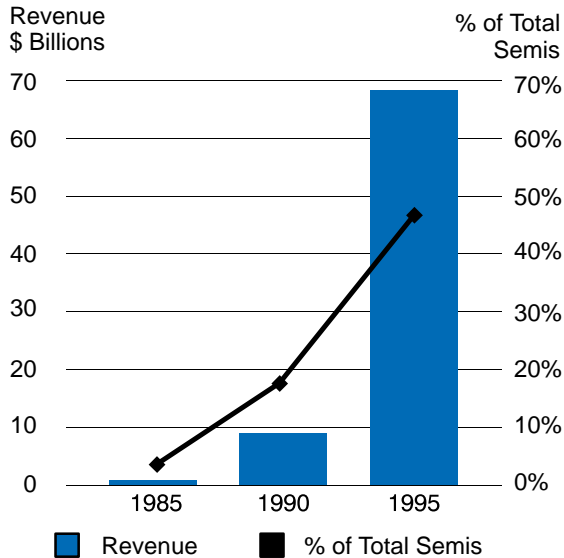
Source: In-Stat

Ethernet Adapter Board Shipments



Source: In-Stat

Semiconductor Usage in "Personal Electronic" Systems (PCs, Peripherals, Cellular)



Personal Computer Market Segment

The largest end market for semiconductor products for the past five years has been the personal computer market segment. In 1995, an estimated \$56 billion in semiconductors were used for personal computers alone, independent of the demand for PC peripherals. Additionally, the personal computer is the catalyst for the entire PC peripheral products industry, thus providing a significant additional revenue base for semiconductors. Personal computer customers represented 22% of OEM revenue in 1995.

Personal computers today require high-performance semiconductor products. The increase in microprocessor clock speed, coupled with new, high-performance PCI bus structures and the requirements for very high speed secondary cache memory, has resulted in a

significant opportunity for Cypress, particularly in our SRAM, FCT logic, programmable logic, clocks and microprocessor chipset families.

Requirements for the New Markets

The semiconductor industry has evolved rapidly over the past decade. Sales to our traditional end users in the Military and Industrial markets have been eclipsed by the rapid growth of companies involved in the development of personal electronics products. Success in this new market will result from excellence in the following disciplines:

- High-performance, high-density process and product technologies
- Low-cost manufacturing
- High-volume manufacturing capability

Cypress has always participated in the highest performance end of the industry spectrum. As a result, we are now participating in a significant way in this new personal electronics area. In the past several years, we have developed strong, low-cost manufacturing capability. With the addition of Fab IV in Minnesota, and the expected future openings of Fab V in Texas and our Assembly and Test facility in the Philippines, we are securing our ability to serve this high-volume market.

The development, by our customers, of the personal electronics market, has resulted in a "step-function" change in demand for semiconductors. Cypress is now in the forefront of this new market with the acceptance of our high-performance technology, and we intend to maintain this position by making the necessary investments in design, process development, and manufacturing to expand our market share in this new, high-growth field.

BUSINESS HIGHLIGHTS

First Quarter, 1995

- Cypress expands its FPGA (Field Programmable Gate Array) product line with the introduction of the 8000-gate devices in the pASIC380™ FPGA family.
- The Company introduces the innovative Fast Ethernet Transceiver that meets the new standard for 100-Megabit per second data transmission, and operates over a range of network media, including low-cost unshielded twisted pair wiring.
- Cypress sets new Company financial records for the quarter across virtually every business parameter: revenue, net income, bookings, backlog, and operating margin. The Company's products continue to be in strong demand across the key market segments of networking, digital cellular base stations, and personal computers.

Second Quarter, 1995

- Cypress opens the European UltraLogic™ Design Center in the United Kingdom, the first of several worldwide design centers to assist customers designing with the Company's high-performance programmable logic devices (PLDs) and FPGAs.
- The Company introduces low-power 3.3-volt versions of the pASIC380 FPGA family, targeted at the fast-growing PCMCIA market for notebook PC peripherals.
- Cypress introduces the industry's first personal computer chipset for Pentium-based PCs to incorporate cache memory on-chip. This innovation, announced at press conferences in the U.S., Europe, and Asia, marks Cypress's entry into this key new market.
- A judge in U.S. District Court gives Cypress a legal victory by dismissing a class-action lawsuit filed against Cypress in 1992. The plaintiffs have filed an appeal, in which the Company will continue to defend itself.

Third Quarter, 1995

- The Company opens its new, state-of-the-art 8-inch wafer manufacturing plant in Bloomington, Minnesota, which offers enough additional manufacturing capacity to permit growth to the \$1 billion revenue level.
- Cypress goes online with its site on the Worldwide Web, offering customers and shareholders a new level of information delivery and customer service. The Web site features a selection of product information, data sheets, technical articles, corporate and financial information, and technical support at <http://www.cypress.com>.
- Cypress wins a major legal victory against Texas Instruments, when a Texas judge reverses a jury verdict against Cypress and two other semiconductor companies in a suit related to semiconductor packaging. Texas Instruments has filed an appeal, in which the Company will continue to defend itself.
- Cypress President and CEO T. J. Rodgers testifies before a congressional subcommittee, arguing against corporate welfare such as government support of Sematech and space shuttle semiconductor experiments. Rodgers tells the House subcommittee, "Silicon Valley does not want or need corporate welfare. And corporate America is strong enough, smart enough, and tough enough to take on Japan and other competitors and win without subsidies."

Fourth Quarter, 1995

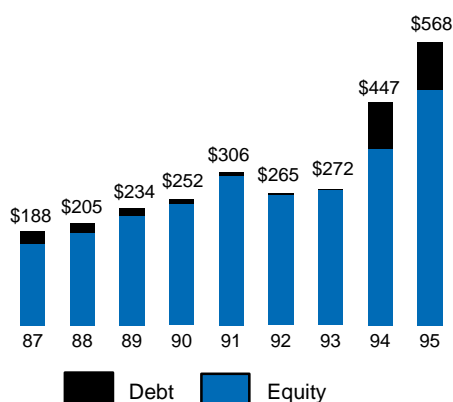
- The Company completes a two-for-one stock split in the form of a 100% stock dividend to shareholders.
- Cypress announces Board authorization for a stock repurchase plan, whereby up to \$70 million of common stock may be repurchased in the open market from time-to-time.
- The Company introduces a clock chip for Pentium Pro and Pentium-based personal computers, expanding its product offering for PC motherboard products.

SELECTED CONSOLIDATED FINANCIAL DATA

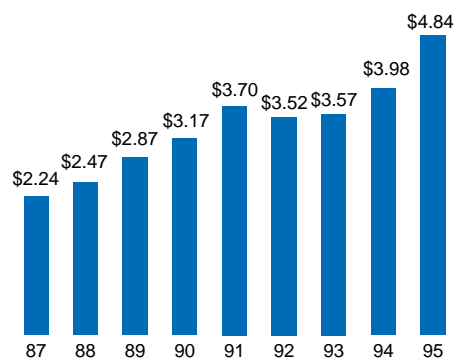
(Dollar and share amounts in thousands, except per share amounts)
(All share data has been adjusted to reflect the 1995 stock split)

	1995	1994	1993	1992	1991
For the year:					
Revenues	\$ 596,071	\$ 406,359	\$ 304,512	\$ 272,242	\$ 286,829
Acquisition-related non-recurring charges	—	—	(18,271)	—	—
Restructuring and other non-recurring costs	(17,800)	—	408	(39,700)	—
Operating income (loss)	159,171	77,792	10,686	(35,636)	44,759
Income (loss) before tax	161,384	80,115	12,567	(32,928)	51,771
Net income (loss)	102,477	50,472	8,043	(21,010)	34,171
Net income (loss) per share:					
Primary	\$ 1.15	\$ 0.61	\$ 0.11	\$ (0.28)	\$ 0.42
Fully diluted	1.09	0.60	—	—	—
Weighted average common and common equivalent shares outstanding:					
Primary	89,347	82,313	76,218	74,514	80,668
Fully diluted	97,583	88,602	—	—	—
At year-end:					
Cash and short-term investments	\$ 161,618	\$ 193,275	\$ 80,590	\$ 82,046	\$ 103,703
Working capital	190,580	225,952	124,651	133,966	150,735
Total assets	750,728	555,699	340,648	320,504	374,603
Long term debt and capital lease obligations (excluding current portion)	95,879	93,653	—	1,597	3,310
Stockholders' equity	472,099	352,999	271,685	262,061	298,612

Capitalization (Millions)



Book Value per Share



MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of the factors set forth on the inside front cover, in "Factors Affecting Future Results" and elsewhere.

Overview

In 1995, the Company continued its growth trend by recording revenues of \$596.1 million, an increase of 46.7% over last year and 95.8% over 1993. The growth in revenues contributed to record profits of \$102.5 million or \$1.09 per share, compared to \$50.5 million, or \$0.60 per share in 1994 and \$8.0 million, or \$0.11 per share in 1993. The growth in revenues was primarily due to a significant increase in unit sales in each of the Company's four major product lines: Memory Products, Programmable Products, Data Communications, and Computation Products. The increase in profitability was again driven by the Company's efforts to improve gross margin. As a result of lower fixed costs per unit due to increased volume, reduced cost of manufacturing wafers, and slower average selling price reductions than in prior years, the Company in 1995 was able to improve absolute gross margin by 9% over 1994 and 13% over 1993.

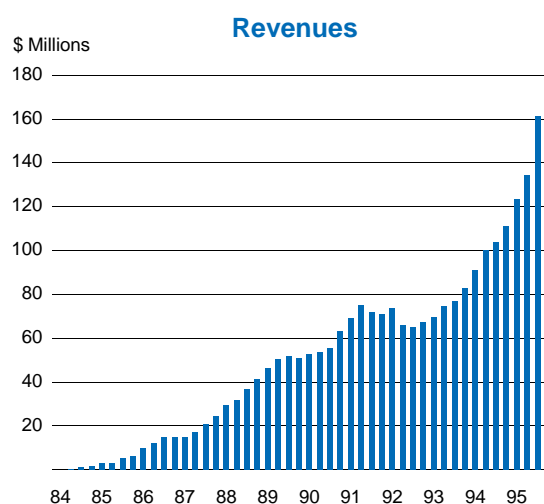
In 1996, the Company plans to bring into production a new assembly and test manufacturing plant in the Philippines. Fully utilized, this new plant is expected to increase assembly and test manufacturing capacity by 600 million units. The new plant is scheduled to become operational in mid-1996 and will initially cost the Company approximately \$120 million. The Company also began construction of a new fab in Texas ("Fab V") in 1995. The

new fab is expected to be a key contributor to the Company's goal of reaching the \$2 billion revenue level by the year 2000. Fab V is scheduled to be operational in the second quarter of 1997, and when half utilized, will cost the Company approximately \$350 million.

In August 1995, the Company announced a two-for-one stock split in the form of a 100% common stock dividend to stockholders of record as of October 19, 1995. In October, the stockholders approved an amendment to the Company's Certificate of Incorporation, increasing the number of authorized shares of the Company's common stock from 75,000,000 to 250,000,000 in conjunction with the stock dividend. Stockholders of record as of October 19, 1995, received certificates representing one additional share for every share held at that time. The shares were distributed on October 31, 1995. All share and per share amounts in the accompanying consolidated financial statements and notes thereto have been adjusted for all periods presented to give effect to this stock dividend, except for the amounts disclosed for treasury shares, which were not split, and are stated at their historical amounts.

Results of Operations

In 1995, revenues increased to a record \$596.1 million, an increase of 46.7% over the \$406.4 million recorded in 1994 and 95.8% over the \$304.5 million recorded in 1993. The growth in



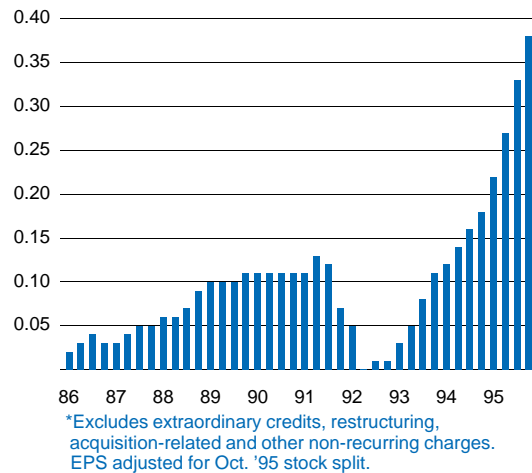
Cypress set new revenue records in each quarter of 1995.

revenues was primarily due to a significant increase in unit sales in each of the Company's four major product lines, especially in the Memory Products Division ("MPD"), which includes the sale of Static Random Access Memory ("SRAM") products. Unit sales of SRAM products in 1995 increased 85.2% over 1994 and 170.0% over 1993. The growth in unit sales of high-speed SRAM products, particularly the 256K and 64K products, resulted in a significant increase in sales to the Telecommunications, Data Communications, and Personal Computer ("PC") and related markets. As a result of its substantial sales volume, coupled with a slightly higher average selling price for SRAM products, MPD generated 61.7% of the Company's revenue in 1995, a 9.8% increase over 1994 and a 27.9% increase over 1993.

The Programmable Products Division ("PPD"), the Company's second largest revenue producing product line, produced 14.9% of the Company's revenue in 1995. PPD's contribution to total revenue decreased from the 24.2% recorded in 1994 and 27.7% in 1993. Although PPD's contribution as a percentage of total revenues decreased in 1995, the product line's revenue in absolute sales dollars grew in comparison to 1994 and 1993. While average selling prices were lower year-to-year, sales volumes increased substantially. Revenue growth in PPD can be attributed to increased revenue generated by the Programmable Read-Only Memory line of products, which are also sold to the PC and Telecommunications markets and by the Fast CMOS Technology Logic Device line of products, which was acquired from Performance Semiconductor Corporation in 1993.

The Data Communications Division ("DCD") also experienced significant growth in revenues in 1995 as unit sales increased 46.9% over 1994 and 100.0% over 1993. The growth was primarily due to proprietary products established across all of DCD's product lines. Proprietary positions in the Specialty Memory and VMEbus products fueled double-digit growth. The largest growth occurred in DCD's Channel line, where several products, including

Earnings Per Share*



After modifying its basic strategy in 1992, Cypress's operations have delivered significant earnings per share growth for twelve consecutive quarters.

the HOTLink™ point-to-point communication devices and Programmable Skew Clock Buffers (RoboClock™), all made significant contributions to revenue. This increase in volume more than offset the 8.0% decline in the average selling price for DCD products.

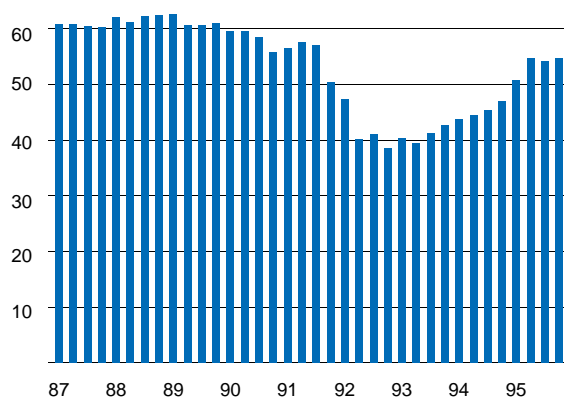
The Computation Products Division's ("CPD") revenue is primarily generated from its Timing Technology line of products. The Company began serving this market through its acquisition of IC Designs, Inc., in the fourth quarter of 1993. In 1995, revenues generated from the CPD product line increased 16.2% over 1994 primarily due to increased unit volume.

The Company's cost of revenues as a percentage of revenues for 1995 decreased to 46% compared with 55% in 1994 and 59% in 1993. Manufacturing costs as a percent of revenues continued to decline due to increased wafer volume in the Company's domestic fabrication facilities ("fabs") for 1995 relative to 1994 of 44.7%, die size reductions and introduction of new technologies which resulted in a lower cost per unit. In order to offset the decrease in average selling prices traditionally experienced in the semiconductor market, the Company must continue to find ways to lower manufacturing costs and introduce new products in order to remain competitive in the marketplace and improve gross margins. One

such method of reducing costs is to shrink the size of each die in order to produce more die on a single wafer. With the development of new designs, the Company has been able to decrease the die size on many of its products, thus reducing the cost of each die. In order to reduce the cost of back-end manufacturing, the Company moved a majority of its assembly and test operations offshore in 1992 to take advantage of lower production costs in Asia. In 1995, the benefits of this move had an even greater impact as production volume increased at these operations.

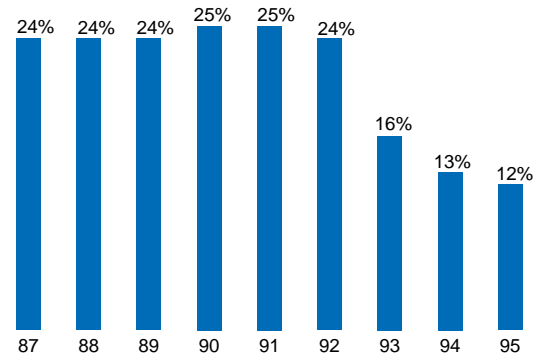
The Company is continuing its efforts to increase capacity in its domestic fabs and in back-end manufacturing in order to maintain growth in revenues. In 1996, the Company plans to bring into production a new assembly and test manufacturing plant in the Philippines. Fully utilized, this new plant is expected to increase the Company's assembly and test manufacturing capacity by 600 million units. The new plant is scheduled to become operational in mid-1996 and will initially cost the Company approximately \$120 million. The Company also began construction on a new fab in Texas ("Fab V"). The new fab is expected to be a key contributor to the Company's goal of reaching the \$2 billion revenue level by the year 2000. Fab V is expected to be operational in mid 1997 and, when half utilized, will cost approximately \$350 million.

Gross Margin as a Percent of Revenue



Cypress achieved 60% gross margins in its "niche product" start-up phase.

R&D Expenditures as a Percent of Revenue



Actual R&D dollar expenses increased to \$71.7 million in 1995 from \$53.2 million in 1994.

Research and development ("R&D") expenses decreased to 12% of revenues in 1995, compared to 13% in 1994 and 16% in 1993. Although actual spending in R&D increased significantly in 1995, growing to \$71.7 million compared to \$53.2 million and \$49.8 million in 1994 and 1993, respectively, the rate of growth in R&D spending was outpaced by the rate of growth in revenues. The Company expects R&D spending to continue to increase in absolute dollars as a consequence of opening two new design centers in Austin, Texas, and Bangalore, India, in 1995, as well as increasing activity in many of its existing design centers and fabrication plants to develop new products and process technologies, respectively.

Selling, general and administration ("SG&A") expenses decreased to 12% of revenues in 1995, compared to 13% in 1994 and 15% in 1993. Absolute spending grew to \$71.3 million in 1995, compared to \$52.8 million and \$46.3 million in 1994 and 1993, respectively. Although actual SG&A spending grew in 1995 in comparison to the two previous years, its rate of growth was less than the rate of growth in revenues. The increase in actual spending for SG&A expenses is primarily attributable to an increase in headcount and associated spending in sales and marketing in an effort to penetrate new markets and support the Company's existing line of products. The Company expects absolute spending in sales and marketing to continue to increase as a result of the Company's efforts to sustain revenue growth. General and

administrative expenses also grew in 1995 as the Company incurred legal expenditures in excess of those historically incurred, principally as a result of the Texas Instruments and the shareholder class-action lawsuit.

Income from operations increased significantly in 1995, growing to a record \$159.2 million. Income from operations in 1994 and 1993 was \$77.8 million and \$10.7 million, respectively. The increase in operating income can be attributed to growing revenues and improved margins as the Company focused on reducing operating expenses by improving manufacturing efficiencies. Reducing operating income in 1995 was a \$17.8 million reserve recorded to reflect the original verdict delivered in the patent infringement lawsuit filed by Texas Instruments. The judge in the case reversed the decision later in the year and the plaintiff has filed an appeal which is still pending. The Company will continue to maintain the reserve pending further resolution of this matter (see Note 7 of the Notes to Consolidated Financial Statements). Included in operating income for 1993 were non-recurring charges of \$18.3 million related to the acquisitions of IC Designs and the FCT product line from Performance Semiconductor.

Net interest income in 1995 was \$2.2 million, a slight decrease from the \$2.3 million recorded in 1994 and a slight increase from the \$1.9 million recorded in 1993. Cash investments increased in March 1994 with net proceeds

received from the issuance of convertible subordinated notes. The higher average balance of investments coupled with higher short-term interest rates resulted in the Company recording \$8.5 million in interest income in 1995 compared with \$6.4 million in 1994 and \$2.2 million in 1993. Also associated with the issuance of the convertible subordinated notes was a corresponding increase in interest expense. In 1995, the Company recorded \$6.2 million in interest expense, an increase of \$2.2 million from 1994 and \$6.0 million from 1993.

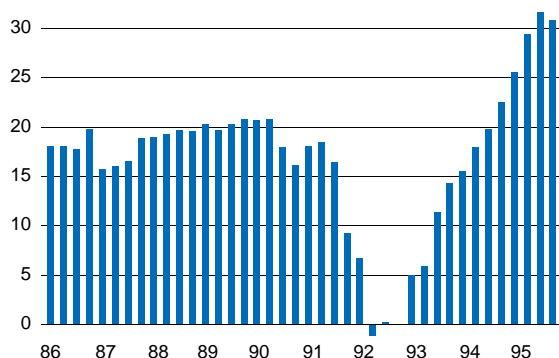
The Company recorded income tax expense of \$58.9 million in 1995, compared to \$29.6 million in 1994 and \$4.5 million in 1993. The effective tax rates in 1995, 1994 and 1993 were 36.5%, 37.0% and 36.0% respectively.

In 1995, the Company's net income grew to \$102.5 million, a significant increase from the \$50.5 million recorded in 1994 and the \$8.0 million recorded in 1993. Net income in 1993 would have been \$19.5 million without the acquisition-related, non-recurring charges recorded that year.

Factors Affecting Future Results

The Company believes that, notwithstanding the various objectives, projections, estimates and other forward-looking statements set forth in this Annual Report, its future operating results will continue to be subject to variations based on a wide variety of factors, which could lead the Company's operating results to be materially different from those projected in such forward-looking statements. Such factors include, but are not limited to: general economic conditions, the cyclical nature of both the semiconductor industry and the markets addressed by the Company's products such as the networking, computer and telecommunications markets, failure of expected growth in demand for, or areas of expected new demand for, semiconductor products to materialize, the availability and extent of utilization of manufacturing capacity, fluctuations in manufacturing yields, price erosion, competitive factors, the timing of new product introductions, product obsolescence and the ability to develop and implement new

Operating Profit as a Percent of Revenue*



*Excludes extraordinary credits, restructuring, acquisition-related and other non-recurring charges.

technologies including the ramp of our RAM3 process to full commercial production. The Company is also dependent on subcontract vendors for a portion of the assembly and test manufacturing of its products which presents risks including the lack of guaranteed production capacity, delays in delivery, susceptibility to disruption in supply, and reduced control over product costs, adverse weather conditions, and manufacturing yields. The Company's operating results could also be impacted by sudden fluctuations in customer requirements, currency exchange rate fluctuations and other economic conditions affecting customer demand and the cost of operations in one or more of the global markets in which the Company does business. Typically, the Company requires new orders, in addition to its existing backlog, to meet each quarter's revenue plan.

As a participant in the semiconductor industry, the Company operates in a technologically advanced, rapidly changing and highly competitive environment. While the Company cannot predict what effect these and other factors will have on the Company, they could result in significant volatility in the Company's future performance. To the extent the Company's performance may not meet expectations published by external sources, public reaction could result in a sudden and significantly adverse impact on the market price of the Company's securities, particularly on a short-term basis.

The Company's corporate headquarters and some manufacturing facilities are located near major earthquake faults. As a result, in the event of a major earthquake, the Company could suffer damages which could materially and adversely affect the operating results and financial condition of the Company.

Current pending litigation and claims are set forth in Note 7 of the Notes to Consolidated Financial Statements. The Company will vigorously defend itself in these matters and, subject to the inherent uncertainties of litigation and based upon discovery completed to date, management believes that the resolution of these

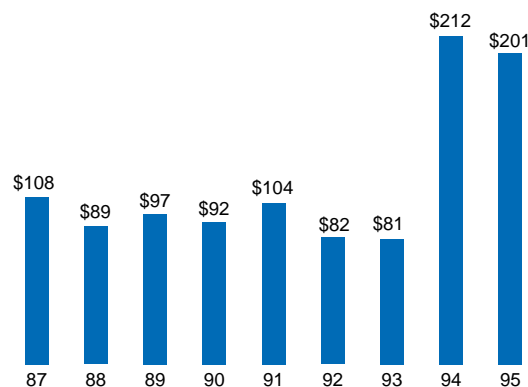
matters will not have a material adverse impact on the Company's financial position or results of operations. However, should the outcome of any of the actions be unfavorable, the Company may be required to pay damages and other expenses, which could have a material adverse effect on the Company's financial position or results of operations. In addition, the Company could be required to alter certain of its production processes or products as a result of these matters.

Liquidity and Capital Resources

The Company's financial condition remained strong throughout 1995. Cash, cash equivalents and short-term investments totaled \$161.6 million at the end of fiscal year 1995, a decrease of \$31.7 million from fiscal year-end 1994. Cash used for investing activities of \$187.0 million and financing activities of \$27.1 million was offset in part by cash generated from operating activities of \$190.3 million.

Cash from operating activities grew to \$190.3 million in 1995, compared to \$122.1 million in 1994. This increase of \$68.2 million is primarily due to the increase in net income to \$102.5 million recorded this year, accompanied by growth in the non-cash effects of depreciation and amortization expense. These increases to cash from operating activities were partially offset by the net change in operating assets and liabilities.

Cash, Cash Equivalents, and Short-Term Investments (Millions)



Includes restricted investments of \$39 million in 1995 and \$19 million in 1994.

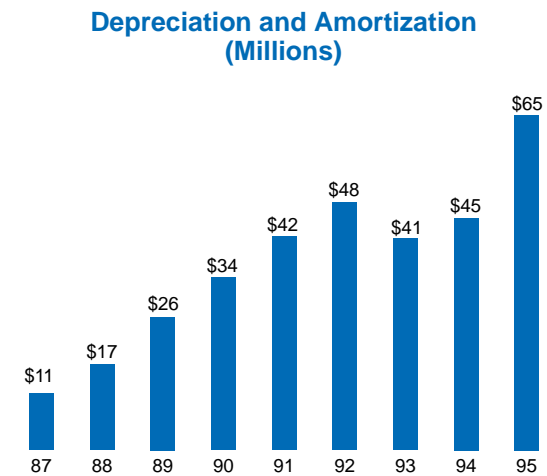
Cash used for investing activities in 1995 was \$187.0 million, a \$35.5 million decrease from the \$222.5 million used for investing activities in 1994. Last year, the Company recorded a use of cash of \$117.0 million, related to the increase in short-term investments as a result of proceeds received from the 1994 issuance of convertible subordinated notes. In 1995, the Company purchased \$194.9 million in capital equipment, mainly to increase capacity in the Company's fabrication facilities in Minnesota, Texas and San Jose. This represented an increase in capital purchases of \$82.5 million, compared to the \$112.4 million in capital purchased in 1994. The Company expects to invest approximately \$300 million for capital additions in 1996 and had committed approximately \$220 million for the construction or purchase of property, plant, and equipment as of January 1, 1996.

In 1995, the Company recorded cash used for financing activities of \$27.1 million, compared to the generation of cash from financing activities of \$96.0 million in 1994. During the last quarter of 1995, the Company implemented its stock repurchase program, with the Board of Directors approving the repurchase of \$70.0 million of the Company's stock. Consequently, by the end of 1995, the Company repurchased \$37.9 million of treasury stock. No treasury stock was repurchased in 1994. In 1994, the cash generated from financing activities was primarily due to net proceeds of \$89.4 million received from the issuance of convertible subordinated notes.

Last year, the Company entered into two operating lease agreements with respect to its

office and manufacturing facilities in San Jose and Minnesota, respectively. In 1995, the Company entered into an additional lease agreement related to its new fabrication facility "Fab IVb" also located in Minnesota. These agreements require that the Company maintain a specific level of restricted cash or investments to serve as collateral for these leases. In 1995, the Company added \$20.8 million in restricted investments to the \$18.5 million recorded in 1994. All restricted investments are classified as non-current assets on the balance sheet.

The Company anticipates that existing sources of liquidity and cash flows from operations will be sufficient to satisfy its cash needs in the current fiscal year. The Company may, from time to time, as market conditions warrant, purchase its common stock in the open market, invest in complementary technologies, products, or businesses, or raise additional capital through public and private markets.



CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share amounts)

	January 1, 1996	January 2, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,487	\$ 33,308
Short-term investments	152,131	159,967
<hr/>		
Total cash, cash equivalents, and short-term investments	161,618	193,275
Accounts receivable, net of allowances for doubtful accounts and customer returns of \$2,828 in 1995 and \$1,393 in 1994	108,587	67,763
Other receivables	8,335	2,426
Inventories	28,978	28,372
Other current assets	44,119	25,278
<hr/>		
Total current assets	351,637	317,114
<hr/>		
Property, plant and equipment, net	336,593	201,590
Other assets, including restricted investments of \$39,257 in 1995 and \$18,513 in 1994	62,498	36,995
<hr/>		
	\$750,728	\$555,699
<hr/>		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 82,315	\$ 55,777
Accrued compensation and employee benefits	21,353	10,544
Other accrued liabilities	25,447	11,714
Deferred income on sales to distributors	13,190	9,688
Income taxes payable	18,752	3,439
<hr/>		
Total current liabilities	161,057	91,162
<hr/>		
Convertible subordinated notes	95,879	93,653
Deferred income taxes	15,653	11,209
Other long-term liabilities	6,040	6,676
<hr/>		
Total liabilities	278,629	202,700
<hr/>		
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$.01 par value, 250,000,000 shares authorized; 88,924,000 and 82,594,000 issued; 81,501,000 and 77,821,000 outstanding	889	826
Additional paid-in capital	292,713	238,272
Retained earnings	262,462	159,985
<hr/>		
	556,064	399,083
Less shares of common stock held in treasury, at cost; 7,423,000 shares at January 1, 1996 and 4,773,000 shares at January 2, 1995	(83,965)	(46,084)
<hr/>		
Total stockholders' equity	472,099	352,999
<hr/>		
	\$750,728	\$555,699

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share and per share amounts)

Year Ended

	January 1, 1996	January 2, 1995	January 3, 1994
Revenues	\$596,071	\$406,359	\$304,512
Cost of revenues	276,160	222,620	179,821
Research and development	71,667	53,188	49,798
Selling, general and administrative	71,273	52,759	46,344
Acquisition-related non-recurring charges	—	—	18,271
Restructuring and other non-recurring costs	17,800	—	(408)
Total operating costs and expenses	436,900	328,567	293,826
Operating income	159,171	77,792	10,686
Interest expense	(6,239)	(4,041)	(289)
Interest income and other	8,452	6,364	2,170
Income before income taxes	161,384	80,115	12,567
Provision for income taxes	(58,907)	(29,643)	(4,524)
Net income	\$102,477	\$ 50,472	\$ 8,043
Net income per share:			
Primary	\$ 1.15	\$ 0.61	\$ 0.11
Fully diluted	1.09	0.60	—
Weighted average common and common equivalent shares outstanding:			
Primary	89,347,000	82,313,000	76,218,000
Fully diluted	97,583,000	88,602,000	—

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Shares and dollars in thousands)

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Treasury</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Stock</u>	<u>Stockholders'</u>
			<u>Capital</u>			<u>Equity</u>
Balances at December 28, 1992	70,235	\$731	\$186,219	\$101,470	\$(26,359)	\$262,061
Issuance of common stock under employee stock plans and other	4,066	41	17,031			17,072
Tax benefit resulting from stock option transactions			4,234			4,234
Repurchase of common stock under share repurchase program	(1,900)				(19,725)	(19,725)
Net income for the year				8,043		8,043
Balances at January 3, 1994	72,401	772	207,484	109,513	(46,084)	271,685
Issuance of common stock under employee stock plans and other	5,420	54	24,448			24,502
Tax benefit resulting from stock option transactions			6,340			6,340
Net income for the year				50,472		50,472
Balances at January 2, 1995	77,821	826	238,272	159,985	(46,084)	352,999
Issuance of common stock under employee stock plans and other	6,330	63	31,460			31,523
Tax benefit resulting from stock option transactions			22,981			22,981
Repurchase of common stock under share repurchase program	(2,650)				(37,881)	(37,881)
Net income for the year				102,477		102,477
Balances at January 1, 1996	81,501	\$889	\$292,713	\$262,462	\$(83,965)	\$472,099

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended		
	January 1, 1996	January 2, 1995	January 3, 1994
Cash flow from operating activities:			
Net income	\$102,477	\$ 50,472	\$ 8,043
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	64,733	45,039	41,245
Non-cash interest and amortization of debt issuance costs	2,639	1,639	—
Provision for restructuring and other non-recurring costs	17,800	—	(408)
Acquisition-related non-recurring charges	—	—	18,271
Deferred income taxes	(8,464)	1,258	(6,209)
Changes in operating assets and liabilities:			
Receivables	(46,733)	(15,985)	(7,093)
Inventories	(606)	913	11,800
Other assets	(20,407)	(3,909)	(2,278)
Accounts payable and accrued liabilities	32,644	31,999	(1,132)
Deferred income	3,502	837	3,488
Income taxes payable and deferred income taxes	42,738	9,885	3,203
Net cash flow generated from operating activities	190,323	122,148	68,930
Cash flow from investing activities:			
Decrease (increase) in short-term investments	7,836	(117,034)	26,742
Acquisition of property, plant, and equipment	(194,878)	(112,370)	(55,485)
Sale of equipment	—	7,918	—
Acquisition of IC Designs, Inc., net of cash acquired	—	—	(16,629)
Acquisition of FCT product line	—	—	(5,270)
Buyout of minority interest in subsidiaries	—	—	(7,356)
Sale of Ross Technology, Inc.	—	—	17,087
Other	—	(969)	(967)
Net cash flow used for investing activities	(187,042)	(222,455)	(41,878)
Cash flow from financing activities:			
Issuance of convertible subordinated notes, net of issuance costs	—	89,443	—
Restricted investments related to building lease agreements	(20,744)	(18,513)	—
Repurchase of common stock	(37,881)	—	(19,725)
Issuance of capital stock	31,523	24,502	20,449
Other	—	526	(2,490)
Net cash flow generated (used) for financing activities	(27,102)	95,958	(1,766)
Net increase (decrease) in cash and cash equivalents	(23,821)	(4,349)	25,286
Cash and cash equivalents, beginning of year	33,308	37,657	12,371
Cash and cash equivalents, end of year	\$ 9,487	\$ 33,308	\$37,657
Supplemental disclosures:			
Cash paid during the year for:			
Interest	\$ 4,014	\$ 1,677	\$ 289
Income taxes	\$ 30,744	\$ 24,214	\$ 1,635

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

Cypress Semiconductor Corporation (the “Company” or “Cypress”) was incorporated in California in December 1982, commenced business activities on April 7, 1983, and reincorporated in Delaware in February 1987. The Company designs, develops, and manufactures a broad range of high-performance integrated circuits. The Company sells to the networking, military, computer, telecommunications, and instrumentation application markets.

The Company’s operations outside the U.S. primarily relate to foreign sales offices. The assets, liabilities, and results of operations of these entities were not significant for any of the years presented. Export revenues, principally to customers in Europe and Japan, were 34%, 32%, and 27% of total revenues in 1995, 1994, and 1993, respectively. As of January 1, 1996, all of the Company’s subsidiaries are wholly owned, except for Cypress Semiconductor (Texas), Inc. (“CTI”), the Company’s wafer fabrication facility in Texas, which is approximately 17% owned by Altera Corporation (“Altera”). Altera receives wafer fab capacity commensurate with its investment.

No one customer accounted for greater than 10% of revenues in 1995, 1994, or 1993. Additionally, sales to one distributor accounted for 10% and 11% of total revenues in 1994 and 1993, respectively. No one distributor accounted for greater than 10% of revenues in 1995.

In August 1995, the Company announced a two-for-one stock split in the form of a 100% common stock dividend to stockholders of record as of October 19, 1995. In October, the stockholders approved an amendment to the Company’s Certificate of Incorporation, increasing the number of authorized shares from 75,000,000 to 250,000,000 in conjunction with the stock dividend. Stockholders of record as of October 19, 1995, received certificates representing one additional share for every share held at that time. The shares were distributed on October 31, 1995. In addition, all shares previously authorized, but not

issued, under the 1994 Stock Option Plan and the Employee Qualified Stock Purchase Plan were doubled in accordance with the terms of such plans as a result of the stock dividend. All share and per share amounts in the accompanying consolidated financial statements and notes thereto have been adjusted for all periods presented to give effect to this stock dividend except for the amounts disclosed for treasury shares, which were not split, and are stated at their historical amounts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

Fiscal years 1995, 1994, and 1993 ended January 1, 1996, January 2, 1995, and January 3, 1994, respectively. The Company operates on a 52- or 53-week fiscal year, ending on the Monday closest to December 31. Fiscal years 1995 and 1994 each comprised 52 weeks and fiscal year 1993 comprised 53 weeks. Certain prior year amounts have been adjusted to conform to current year presentation.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

Revenue from product sales direct to customers is recognized upon shipment. Certain of the Company’s sales to domestic distributors are made under agreements allowing certain rights of return and price protection on merchandise unsold by the distributors. Accordingly, the Company defers recognition of sales and profit on such sales until the merchandise is sold by the distributors.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. For certain of the Company's financial instruments, including cash and cash equivalents, trade accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for long-term debt also approximate fair value.

Cash Equivalents and Short-Term Investments

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Effective January 4, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 "SFAS 115", "Accounting for Certain Investments in Debt and Equity Securities." Upon adoption of SFAS 115, the Company classified, and continues to classify, all investments as available for sale, based upon the Company's intention to use these investments to fund working capital needs. The investments, which all have contractual maturities of less than two years, are carried at cost plus accrued interest, which approximated market for the entire fiscal year.

A summary of the carrying amounts of the investments are as follows:
(Dollars in thousands)

	January 1, 1996	January 2, 1995
Corporate debt securities	\$ 6,125	\$ 5,958
State and municipal obligations	130,606	138,195
Other	15,400	15,814
Total	\$152,131	\$159,967

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk

consist principally of cash equivalents, short-term investments, and trade accounts receivable. The Company places its cash equivalents and short-term investments in a variety of financial instruments such as municipal securities and U.S. Government securities. The Company further limits its exposure to these investments by placing such investments with various financial institutions. The Company routinely performs credit evaluations of these financial institutions.

The Company sells its product to original equipment manufacturers and distributors throughout the world. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The Company maintains an allowance for uncollectible accounts receivable based upon expected collectibility of all accounts receivable.

Inventories

Inventories are valued at standard costs that approximate actual costs, but not in excess of market. Cost is determined on a first-in, first-out basis. Market is based on estimated net realizable value. The components of inventories are as follows:
(Dollars in thousands)

	January 1, 1996	January 2, 1995
Raw materials	\$ 9,859	\$ 8,519
Work-in-process	12,682	12,325
Finished goods	6,437	7,528
Total	\$28,978	\$28,372

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation and amortization are computed for financial reporting purposes using the straight-line method over the estimated useful lives of the assets, or lease term if less than useful life. Accelerated methods of computing depreciation are used for tax purposes. The components of property, plant, and equipment are as follows:

(Dollars in thousands)

	Useful Lives in Years	Jan 1, 1996	Jan 2, 1995
Land		\$ 8,850	\$ 7,558
Machinery and equipment	3 to 5	501,377	336,747
Buildings and leasehold improvements	7 to 10	38,821	32,257
Furniture and fixtures	5	5,384	4,110
		554,432	380,672
Accumulated depreciation and amortization		(217,839)	(179,082)
Total		\$336,593	\$201,590

Goodwill

Goodwill acquired in connection with the purchase of other businesses is recorded at cost and amortized over a four- or five-year period using the straight-line method. The Company periodically determines whether there has been any permanent impairment in the value of the goodwill whenever events indicate that the carrying value of such goodwill may not be recoverable. The measurement of possible impairment is based on determining whether projected undiscounted future cash flows from operations exceed the net book value of the goodwill as of the measurement date. As of January 1, 1996, there has been no such impairment.

Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." The statement requires that the Company follow the liability method of accounting for income taxes which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities.

Net Income per Share

Net income per share is computed using the weighted average number of shares of outstanding common stock and common equivalent shares, when dilutive. Common equivalent shares include shares issuable under the Company's stock option plans as determined by the treasury stock method. Fully

diluted earnings per share assumes full conversion of the convertible subordinated notes into common shares and the elimination of the related interest requirements (net of income taxes).

Translation of Foreign Currencies

The Company translates accounts denominated in foreign currencies in accordance with Statement of Financial Accounting Standards No. 52, using the United States dollar as the functional currency. Sales to customers are primarily denominated in U.S. dollars and foreign currency transaction gains and losses have not been material in any year.

NOTE 2: RESTRUCTURING AND OTHER NON-RECURRING COSTS

In May 1995, in a case before the U.S. District Court in Dallas, Texas, a jury delivered a verdict of \$17.8 million against the Company in a patent infringement lawsuit filed by Texas Instruments ("TI"). In August, the judge reversed the decision stating TI failed to prove that Cypress infringed on TI's patents covering the plastic encapsulation process used to package semiconductor devices. TI has filed an appeal, in which the Company will continue to defend itself. In March 1995, the Company recorded a one-time pre-tax charge of \$17.8 million with respect to the original decision. The Company will continue to maintain this reserve pending further resolution of this matter.

In June 1993, Cypress sold its SPARC™ microprocessor subsidiary, Ross Technology, Inc., to Fujitsu Limited for \$21.8 million. The Company received an aggregate of \$16.6 million in 1993 and \$4.3 million in 1994, and the remaining balance of \$0.9 million in 1995. In addition to the divestiture of Ross, the Company restructured the equity in two of its subsidiaries, Aspen Semiconductor Corporation and Multichip Technology, Incorporated, by acquiring employee minority interests consisting of stock options and stock received from exercised stock options. Aspen Semiconductor was absorbed into two of Cypress's divisions, Static Memory and Programmable Products. Multichip Technology is now integrated as a part of the Static Memory Division. These restructuring activities and the divestiture in Ross resulted in a net one-time pre-tax credit of \$408,000.

NOTE 3: ACQUISITIONS AND RELATED CHARGES

In the fourth quarter of 1993, the Company acquired 100% of IC Designs, Inc., a manufacturer of timing technology products for the personal computer market, for \$16.3 million plus \$4 million for certain covenants not to compete. The aggregate purchase price of \$20.3 million was allocated to assets purchased and liabilities assumed based on independent appraisal as follows:

Current assets	\$ 6,600,000
Covenant not to compete	4,000,000
R&D in process	11,000,000
Completed technology	4,000,000
Goodwill	2,000,000
Other assets	400,000
Current liabilities	(1,800,000)
Deferred taxes	(5,900,000)
Total	\$20,300,000

The following summarizes the unaudited pro forma results of operations of the Company for 1993 assuming the acquisition of IC Designs had occurred at the beginning of 1993 (dollars in thousands, except per share amounts):

	Year Ended January 3, 1994 (Unaudited)
Revenues	\$317,280
Net income	\$ 9,076
Net income per share	\$ 0.12

In December 1993, the Company acquired the inventory and technology of the high-speed logic product line of Performance Semiconductor for an aggregate cost of \$5.3 million. This cost has been allocated based on independent appraisal as follows:

Inventory	\$2,100,000
R & D in process	3,100,000
Completed technology	1,100,000
Liabilities	(1,000,000)
Total	\$5,300,000

The pro forma effect of this product line is not significant. These acquisitions have been accounted for on the purchase method and the intangible assets acquired, including covenants not to compete,

completed technology and goodwill, are being amortized over three to five years.

Acquired R&D in process aggregating \$14.1 million was charged to expense in the fourth quarter of 1993. In addition, the Company recorded a non-recurring charge of \$4.2 million for certain restructuring activities of Cypress, necessitated by the increased volume requirements associated with these acquisitions.

NOTE 4: CONVERTIBLE SUBORDINATED NOTES

On March 31, 1994, the Company completed a \$110 million private placement of 7-year discounted convertible subordinated notes. The notes are due in the year 2001, with a coupon rate of 3.15 percent and a yield-to-maturity of 6.04 percent. The notes are convertible into approximately 7,940,000 shares of common stock and are callable by the Company three years after the date of issuance. Net proceeds were \$89.4 million, after issuance costs of \$2.9 million. The discount is being amortized using the effective interest rate method over the life of the notes. At year-end, the amount of the convertible subordinated notes required to be reflected as a liability on the Company's balance sheet totalled \$95.9 million, which approximates fair market value.

NOTE 5: COMMON STOCK OPTION AND OTHER EMPLOYEE BENEFIT PLANS

1994 STOCK OPTION PLAN

In 1994, the Company adopted the 1994 Stock Option Plan, which replaced the Company's 1985 Incentive Stock Option Plan and the 1988 Directors' Stock Option Plan (the "Terminated Plans") with respect to future option grants. Under terms of the 1994 Stock Option Plan, options may be granted to qualified employees, consultants, officers and directors of the Company or its majority-owned subsidiaries. Options become exercisable over a vesting period as determined by the Board of Directors and expire over terms not exceeding ten years from the date of grant. The option price for shares granted under the 1994 Stock Option Plan is typically equal to the fair market value of the common stock at the date of grant. The 1994 Stock Option Plan includes shares that remained

available under the Terminated Plans and provides for an annual increase in shares available for issuance pursuant to nonstatutory stock options equal to 4.5% of the Company's outstanding common stock at the end of each fiscal year.

Table 1 summarizes information relating to shares under option and shares available for grant under the Terminated and 1994 Stock Option Plans.

EMPLOYEE QUALIFIED STOCK PURCHASE PLAN

In 1986, the Company approved an Employee Qualified Stock Purchase Plan ("ESPP"), which allows eligible employees of the Company and its subsidiaries to purchase shares of common stock through payroll deductions. The ESPP consists of consecutive 24-month offering periods composed of four 6-month exercise periods. The shares can be purchased at the lower of 85% of the fair market value of the common stock at the date of commencement of this two-year offering period or at the last day of each 6-month exercise period. Purchases are limited to 10% of an employee's eligible compensation, subject to a maximum annual employee contribution limited to a \$25,000 market value (calculated as employee's enrollment price multiplied by purchased shares). Of the 7,600,000 shares

authorized under the ESPP, 5,230,934 shares were issued through 1995 including, 582,432, 900,496, and 905,014 shares in 1995, 1994, and 1993, respectively.

OTHER EMPLOYEE BENEFIT PLANS

The Company also maintains a Section 401(k) Plan, Profit Sharing Plan, and Key Employee Bonus Plan. The 401(k) Plan provides participating employees with an opportunity to accumulate funds for retirement and hardship. Eligible participants may contribute up to 20% of their eligible earnings to the Plan Trust.

Under the Profit Sharing Plan, all qualified employees are provided an equal share of bonus payments, which are based on the Company achieving a targeted level of earnings per share. In 1995, 1994, and 1993, \$7,575,000, \$5,241,000 and \$1,599,000, respectively, were charged to operations in connection with the Profit Sharing Plan.

In 1994, a Key Employee Bonus Plan was established which provides for bonus payments to selected employees upon achievement of certain Company and individual performance targets. In 1995 and 1994, \$4,937,000 and \$1,902,000, respectively, were charged to operations in connection with this Plan.

TABLE 4. SHARES UNDER OPTION AND AVAILABLE FOR GRANT

	Shares Available for Grant	Outstanding Options	
		Number of Shares	Price Range
Balance, December 28, 1992	4,635,238	18,143,356	\$ 1.00 – \$ 9.25
Options granted	(6,472,540)	6,472,540	\$ 5.00 – \$ 7.19
Options exercised	—	(3,161,502)	\$ 1.00 – \$ 5.50
Options cancelled	2,748,884	(2,748,884)	\$ 1.00 – \$ 7.19
Balance, January 3, 1994	911,582	18,705,510	\$ 1.00 – \$ 9.25
Options authorized	6,000,000	—	—
Options granted	(5,548,722)	5,548,722	\$ 7.56 – \$11.25
Options exercised	—	(3,915,126)	\$ 1.00 – \$ 8.44
Options cancelled	1,367,318	(1,367,318)	\$ 1.25 – \$10.00
Balance, January 2, 1995	2,730,178	18,971,788	\$ 1.00 – \$11.25
Options authorized	3,502,026	—	—
Options granted	(7,504,204)	7,504,204	\$12.13 – \$24.50
Options exercised	—	(5,735,670)	\$ 1.00 – \$24.50
Options cancelled	1,292,221	(1,292,221)	\$ 1.00 – \$24.50
Balance, January 1, 1996	20,221	19,448,101	\$ 1.00 – \$24.50
Options exercisable on January 1, 1996		7,449,572	\$ 1.00 – \$24.50

NOTE 6: INCOME TAXES

The components of the provision for income taxes are summarized in Table 2. Income before taxes is principally attributed to domestic operations.

The tax provision differs from the amounts obtained by applying the statutory U.S. federal income tax rate to income before taxes as shown in Table 3.

TABLE 5. COMPONENTS OF THE PROVISION FOR INCOME TAXES

(Dollars in thousands)

	Year Ended		
	January 1, 1996	January 2, 1995	January 3, 1994
Current tax expense:			
U.S. Federal	\$60,163	\$24,998	\$9,507
State and local	6,988	3,286	1,055
Foreign	220	101	171
Total current	67,371	28,385	10,733
Deferred tax expense (benefit):			
U.S. Federal	(7,849)	709	(5,918)
State and local	(615)	549	(291)
Total deferred	(8,464)	1,258	(6,209)
Total	\$58,907	\$29,643	\$4,524

TABLE 6. TAX PROVISION DIFFERENCES

(Dollars in thousands)

	Year Ended		
	January 1, 1996	January 2, 1995	January 3, 1994
Statutory rate	35%	35%	35%
Tax at U.S. statutory rate	\$56,484	\$28,040	\$4,398
State income taxes, net of federal benefit	4,142	2,492	497
Tax credits	(1,013)	(300)	(679)
Net Foreign Sales Corporation (FSC) benefit	(479)	(427)	(974)
Benefit of tax free investments	(2,254)	(1,324)	—
Other, net	2,027	1,162	1,282
Total	\$58,907	\$29,643	\$4,524

The components of the net deferred tax assets at January 1, 1996, and January 2, 1995, under FAS 109 were as follows:

(Dollars in thousands)

	January 1, 1996	January 2, 1995
Deferred tax assets:		
Deferred income on sales to distributors	\$ 5,654	\$ 3,988
Inventory reserves and basis differences	7,677	5,077
Restructuring and legal reserves	11,027	2,032
Asset valuation and other reserves	10,822	6,851
State tax, net of federal tax	455	297
Other, net	2,388	4,616
Total deferred tax assets	38,023	22,861
Deferred tax liabilities:		
Excess of tax over book depreciation	(17,294)	(11,829)
Other, net	(1,271)	(38)
Total deferred tax liabilities	(18,565)	(11,867)
Net deferred tax assets	\$19,458	\$10,994

The net deferred tax asset at January 1, 1996, is substantially realizable through carry-back to prior years' taxable income. Other Current Assets include current net deferred tax assets of \$35,111,000 at January 1, 1996, and \$22,203,000 at January 2, 1995, respectively.

NOTE 7: COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS

The Company leases most of its manufacturing and office facilities under noncancelable operating lease agreements that expire at various dates through 2004. These leases require the Company to pay taxes, insurance, and maintenance expenses, and provide for renewal options at the then fair market rental value of the property.

In September 1994, the Company entered into a five-year operating lease for office and manufacturing facilities in San Jose, California. In December 1994, the Company entered into a ten-year operating lease

for its second wafer fabrication facility "Fab IV" in Bloomington, Minnesota. In October 1995, the Company entered into an additional lease financing agreement related to Fab IVb in Minnesota. These leases require quarterly payments which vary based on the London interbank offering rate (LIBOR). All leases provide the Company with the option of either acquiring the properties at their original cost or arranging for the property to be acquired at the end of the respective lease terms. The Company is contingently liable under certain first-loss clauses for up to \$34.0 million at January 1, 1996. Furthermore, the Company must maintain restricted cash or investments (\$39.3 million at January 1, 1996) to serve as collateral for these leases and maintain compliance with certain financial covenants. Management believes that this contingent liability will not have a material adverse effect on the Company's financial position or results of operations.

The aggregate annual rental commitments under noncancelable operating leases as of January 1, 1996, are:

(Dollars in thousands)	
Fiscal Year	
1996	\$ 4,402
1997	4,704
1998	3,502
1999	2,676
2000	2,546
2001 and thereafter	9,700
Total	\$27,530

Rental expense was approximately \$5,995,000 in 1995, \$4,954,000 in 1994, and \$4,036,000 in 1993.

LITIGATION AND ASSERTED CLAIMS

In the normal course of business, the Company receives and makes inquiries with regard to possible patent infringement. Where deemed advisable, the Company may seek or extend licenses or negotiate settlements.

In May 1995, in a case before the U.S. District Court in Dallas, Texas, a jury delivered a verdict of \$17.8 million against the Company in a patent infringement lawsuit filed by Texas Instruments ("TI"). In August, the judge reversed the decision stating that TI failed to prove that Cypress infringed on TI's patents covering the plastic encapsulation process used to package semiconductor devices. TI has filed an appeal, in which the Company will

continue to defend itself. In March 1995, the Company recorded a one-time pre-tax charge of \$17.8 million with respect to the original decision. The Company will continue to maintain this reserve pending further resolution of this matter.

In June 1995, the U.S. District Court of Northern California dismissed by a summary judgement a class-action lawsuit filed against the Company and certain of its officers. The suit was filed for alleged violations of the Securities and Exchange Act of 1934 and certain provisions of state law regarding disclosure of short-term business prospects. The plaintiffs have filed an appeal, in which the Company will continue to defend itself.

In June 1995, Advanced Micro Devices “AMD” charged the Company with patent infringement and filed suit in the U.S. District Court in Delaware. The suit filed by AMD claims the Company infringed on several of AMD’s programmable logic patents. No trial date has been set.

The Company will vigorously defend itself in these matters and, subject to the inherent uncertainties of litigation and based upon discovery completed to date, management believes that the resolution of these matters will not have a material adverse impact on the Company’s financial position or results of operation. However, should the outcome of any of the actions be unfavorable, the Company may be required to pay damages and other expenses, which could have a material adverse effect on the Company’s financial position or results of operations. In addition, the Company could be required to alter certain of its production processes or products as a result of these matters.

PURCHASE COMMITMENTS

At January 1, 1996, the Company has purchase commitments aggregating \$220 million principally for manufacturing equipment and facilities.

NOTE 8: RELATED PARTIES

During 1990, the Company made a cost-basis investment of \$1.0 million in Vitesse Semiconductor Series E Preferred Stock (which has been converted to common stock since Vitesse’s initial public offering) and guaranteed an equipment lease line of credit for Vitesse, of \$3.5 million, maturing on August 31, 1997. The outstanding principal balance related to the lease line at January 1, 1996, is \$0.3 million. As of January 1, 1996, the Company’s cost-basis investment is \$1,000,000. The Company’s chairman, board member, and its president are members of the Vitesse Board of Directors.

During 1992, the Company made a cost-basis investment of \$2.0 million in QuickLogic Series D preferred stock. An additional \$1,015,000 was invested in 1995, \$189,000 in 1994 and \$195,000 in 1993. The Company also recorded sales to QuickLogic of \$5,769,000 in 1995 and \$1,972,000 in 1994 and at fiscal year-end 1995 and 1994, the Company had a receivable due from QuickLogic of \$717,000 and \$787,000, respectively, and a payable due to QuickLogic of \$64,000 and \$207,000, respectively. Under certain circumstances, the Company may be required to make additional investments in QuickLogic. The Company’s chairman is a member of the Board of Directors of QuickLogic.

During 1995, 1994, and 1993, the Company paid approximately \$281,000, \$254,000, and \$291,000, respectively, to a member of the Board of Directors for consulting services.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Cypress Semiconductor Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Cypress Semiconductor Corporation and its subsidiaries at January 1, 1996, and January 2, 1995, and the results of their operations and their cash flows for each of the three years in the period ended January 1, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform

the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP
San Jose, California
January 19, 1996

SUMMARY ANNUAL AND QUARTERLY FINANCIAL DATA

(Amounts in thousands, except per share data and employee headcount)
(All share data has been adjusted to reflect the 1995 stock split)

	Year Ended							
	Jan 2 1989	Jan 1 1990	Dec 31 1990	Dec 30 1991	Dec 28 1992	Jan 3 1994	Jan 2 1995	Jan 1 1996
Revenues	\$139,388	\$199,339	\$225,232	\$286,829	\$272,242	\$304,512	\$406,359	\$596,071
Costs and expenses:								
Cost of revenues	56,291	81,963	93,947	128,149	158,159	179,821	222,620	276,160
Research and development	33,667	47,604	55,553	71,750	64,951	49,798	53,188	71,667
Selling, general and administrative	22,353	29,261	33,437	42,171	45,068	46,344	52,759	71,273
Acquisition-related non-recurring charges	—	—	—	—	—	18,271	—	—
Restructuring and other non-recurring costs	—	—	—	—	39,700	(408)	—	17,800
Total costs and expenses	112,311	158,828	182,937	242,070	307,878	293,826	328,567	436,900
Operating income (loss)	27,077	40,511	42,295	44,759	(35,636)	10,686	77,792	159,171
Interest expense	(2,170)	(1,786)	(1,088)	(1,000)	(440)	(289)	(4,041)	(6,239)
Interest income and other	7,124	7,900	9,142	8,012	3,148	2,170	6,364	8,452
Income (loss) before income taxes	32,031	46,625	50,349	51,771	(32,928)	12,567	80,115	161,384
(Provision) benefit for income taxes	(11,202)	(15,911)	(17,119)	(17,600)	11,918	(4,524)	(29,643)	(58,907)
Net income (loss)	\$20,829	\$30,714	\$33,230	\$34,171	\$(21,010)	\$8,043	\$50,472	\$102,477
Net income (loss) per share:								
Primary	\$.28	\$.40	\$.43	\$.42	\$(.28)	\$.11	\$.61	\$1.15
Fully diluted	—	—	—	—	—	—	\$.60	\$1.09
Weighted average shares used in computation of EPS:								
Primary	74,942	76,524	76,502	80,668	74,514	76,218	82,313	89,347
Fully diluted	—	—	—	—	—	—	88,602	97,583
Depreciation/amortization expense	16,639	25,828	33,503	41,538	47,634	41,245	45,039	64,733
Cash and short-term investments	89,542	96,641	91,650	103,703	82,046	80,590	193,275	161,618
Stockholders' equity	185,472	219,422	242,208	298,612	262,061	271,685	352,999	472,099
Number of employees	1,157	1,388	1,595	1,945	1,529	1,262	1,423	1,859
Percent of revenue								
Cost of revenue	41%	41%	42%	44%	58%	59%	55%	46%
Research & development	24%	24%	25%	25%	24%	16%	13%	12%
Selling, general & administrative	16%	15%	15%	15%	17%	15%	13%	12%
Total costs and expenses	81%	80%	81%	84%	113%	96%	81%	73%
Operating income (loss)	19%	20%	19%	16%	(13%)	4%	19%	27%

Three Months Ended

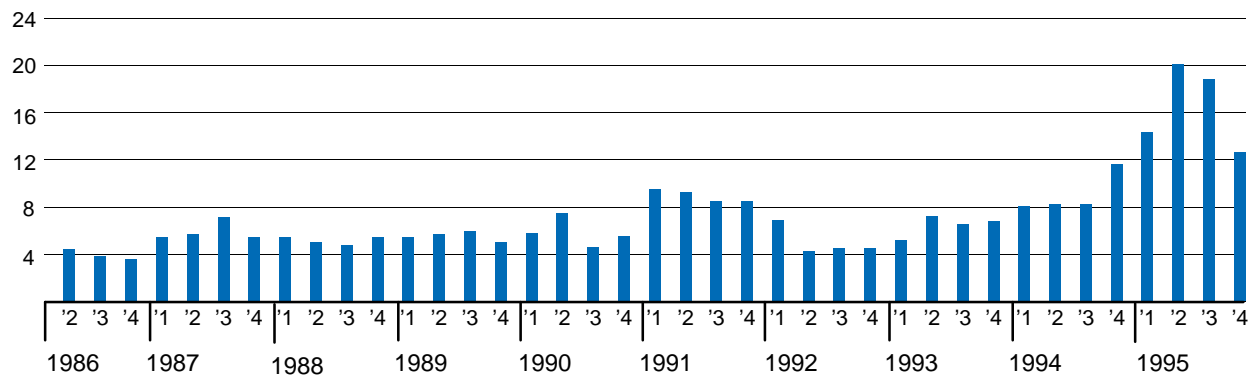
Apr 4 1994	Jul 4 1994	Oct 3 1994	Jan 2 1995	Apr 3 1995	July 3 1995	Oct 2 1995	Jan 1 1996
\$90,957	\$100,217	\$104,013	\$111,172	\$123,365	\$134,273	\$161,155	\$177,279
51,215	55,676	56,763	58,966	60,834	60,899	73,860	80,567
12,593	13,601	13,402	13,592	15,671	16,392	18,305	21,300
13,034	12,871	13,247	13,607	15,291	17,506	17,908	20,568
—	—	—	—	—	—	—	—
—	—	—	—	17,800	—	—	—
76,842	82,148	83,412	86,165	109,596	94,797	110,073	122,435
14,115	18,069	20,601	25,007	13,769	39,476	51,082	54,844
(27)	(1,301)	(1,294)	(1,419)	(1,733)	(1,415)	(1,560)	(1,530)
1,031	1,599	2,299	1,435	2,303	2,255	1,215	2,677
15,119	18,367	21,606	25,023	14,339	40,316	50,737	55,991
(5,594)	(6,796)	(7,995)	(9,258)	(5,234)	(14,714)	(18,518)	(20,441)
\$9,525	\$11,571	\$13,611	\$15,765	\$9,105	\$25,602	\$32,219	\$35,550
\$0.12	\$0.14	\$0.16	\$0.19	\$0.11	\$0.29	\$0.35	\$0.40
—	—	\$0.16	\$0.18	\$0.11	\$0.27	\$0.33	\$0.38
80,602	81,031	82,780	84,861	87,223	89,557	91,681	88,926
—	—	90,720	93,786	95,607	98,244	99,621	96,860
11,074	11,364	11,168	11,433	13,291	13,609	17,533	20,300
187,078	203,911	197,395	193,275	196,200	175,541	183,654	161,618
291,055	306,529	327,065	352,999	373,446	410,177	449,680	472,099
1,268	1,322	1,380	1,423	1,477	1,605	1,750	1,859
56%	56%	55%	53%	49%	45%	46%	45%
14%	14%	13%	12%	13%	12%	11%	12%
14%	13%	13%	12%	12%	13%	11%	12%
84%	82%	80%	78%	89%	71%	68%	69%
16%	18%	20%	22%	11%	29%	32%	31%

ABOUT YOUR INVESTMENT

The Company's common stock traded on the Nasdaq National Market from the Company's initial public offering on May 29, 1986, until October 17, 1988, when it was listed on the New York Stock Exchange under the trading symbol "CY." The table to the right sets forth, for the periods indicated, the high and low closing sales prices for the common stock. The Company has not paid cash dividends and has no present plans to do so. At January 1, 1996, there were approximately 2,552 holders of record of the Company's common stock.

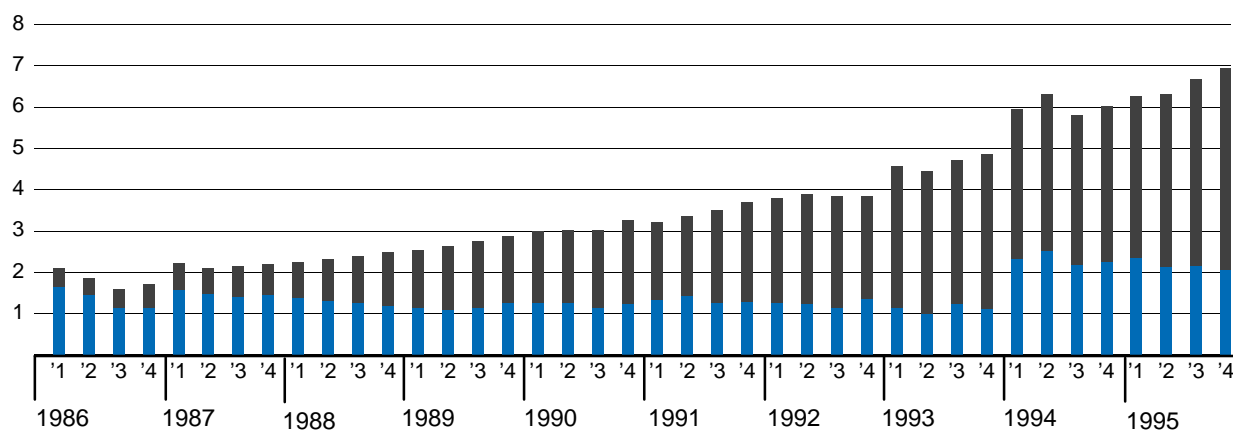
	Price Range of Common Stock (\$)		
	Low	High	Close
Fiscal year ended			
January 2, 1995:			
First Quarter	6.69	9.44	8.07
Second Quarter	6.94	9.38	8.19
Third Quarter	7.88	10.25	8.19
Fourth Quarter	7.75	11.75	11.57
Fiscal year ended			
January 1, 1996:			
First Quarter	10.75	16.13	14.31
Second Quarter	13.06	21.63	20.13
Third Quarter	17.06	27.38	18.81
Fourth Quarter	11.50	19.19	12.63

Closing Share Price (In Dollars)



Prior periods' stock prices have been restated to reflect a two-for-one stock split which was effected in October 1995.

Stockholders' Equity per Share and Cash per Share (In Dollars)



The chart above reflects stockholders' equity per share and cash per share on a quarterly basis, based on stockholders' equity and cash, cash equivalents, and short-term investments at the end of each quarter, divided by the weighted average shares of common stock and common stock equivalents outstanding. Prior periods' per share data has been restated to reflect a two-for-one stock split which was effected in October 1995.

Equity per share
 Cash per share

GLOSSARY

Algorithm. A prescribed set of instructions for the solution of a problem in a finite number of steps.

Analog. As opposed to digital signals which are “on” or “off,” a “1” or a “0,” analog signals vary in a continuous manner, like the Dow Jones Industrial Average.

ATM. Asynchronous Transfer Mode. A high-speed transmission standard whereby information of various types—voice, video, and data—is conveyed in small, fixed-length packets.

ASP. The average selling price, per-unit, of a class of components (e.g., SRAMs).

Backplane. A hardware structure that is the means by which a processor communicates with its various peripherals; often, the backplane takes the form of multiple, parallel-wired sockets that accept plug-in interface cards.

Back-end. A reference to the final suite of semiconductor manufacturing operations, including assembly, packaging, package marking, and device final electrical testing.

Baseband communications. Networked communication in which the information-carrying digital signal is placed directly on the network’s transmission medium, without use of an analog carrier signal. Ethernet is an example of a baseband system.

Bit. The minimum piece of digital information, a “1” or a “0,” typically represented as a high or low voltage state in electronic circuits. A number, symbol, or a letter can be represented by a combination of eight bits, which is called a “byte.”

Broadband communications. Traditionally, communication using an analog carrier signal modulated by (made to vary in accordance with) the information signal (whether analog or digital). More recently, also a reference to communication across a network having wide-bandwidth (broad frequency response) channels.

Cache. A small, very fast memory made from SRAM chips, used to “feed” microprocessors at their maxi-

imum rate (DRAM memory is too slow). Cache SRAM on the microprocessor chip is called Primary, or Level 1, cache; SRAMs on the motherboard are called Secondary, or Level 2, cache. See DRAM, SRAM.

Cellular base station. A fixed node, or location, in a cellular telephone system, which transmits to and receives from the individual mobile cellular phones operating within the cell that the base station controls. The various technologies used in cellular telephony are called CDMA (Code Division Multiple Access); AMPS (Advanced Mobile Phone System); TDMA (Time Division Multiple Access); PHS (Personal Handyphone System); and, GSM (Global Mobile System standard).

Chip. A single, monolithic integrated circuit (IC), one of many identical such IC chips fabricated at the same time on a (usually silicon) wafer. Also called a die.

Chipset. The group of integrated circuits that connect, or bridge, a PC’s central processor unit (e.g., a Pentium processor) to the system’s secondary (SRAM) cache memory, read-write (DRAM) memory, and peripherals bus (e.g., ISA bus).

Clean room. Dust and other particles in the air we breathe are frequently larger than the features fabricated on modern ICs and can damage the ICs while they are being built. Thus, the fabrication of IC chips on wafers is carried out in a room with a highly controlled, filtered atmosphere—a “clean” room.

CMOS. Complementary Metal Oxide Semiconductor. The silicon IC technology of choice for the 1990s, the CMOS process produces complementary (p-channel and n-channel) Metal Oxide Semiconductor (MOS) transistors on the same wafer. This allows for very low power dissipation. Cypress was one of the first companies to produce a modern version of CMOS in a very fast version, achieved by reducing transistor size into the sub-micron region.

Core logic. IC products that provide all the logic needed in a personal computer (excluding the microprocessor). See hyperCache™ chipset. *Compare* glue logic.

GLOSSARY (continued)

CPLD. Complex Programmable Logic Device. An integrated circuit consisting of a limited number of relatively large, user-programmable logic blocks. Each logic block is roughly equivalent to a small PLD. The logic blocks and the CPLD's input/output points communicate with each other across an interconnect matrix, which is a defining feature of CPLD architecture. CPLDs are well-suited to fast, complex, single-pass logic such as state machines, decoders, and counters. (Contrast FPGA.) See PLD.

Die. See chip.

Digital. A signal or function whose amplitude (voltage or current level) at any given time is characterized by a discrete value. A "binary" digital signal varies between two discrete levels called "one" and "zero" or "high" and "low."

DRAM. Dynamic Random Access Memory. The main memory in almost all computers. The highest-volume chip manufactured. See SRAM.

Dual-Port RAM. An SRAM that can be accessed by two different computers simultaneously. See SRAM.

Dynamic RAM. See DRAM.

EPROM. Erasable Programmable Read Only Memory. A form of PROM that uses special MOS transistors to store charge (to represent "1" or "0") for tens of years, even without power. An EPROM can be erased (using ultraviolet light) and reprogrammed. See PROM.

ESCON. An IBM-proprietary protocol (see) used to connect IBM-compatible computers.

Ethernet. A local-area-network (LAN) technology for carrying data over coaxial cable at rates of 10 MHz. Fast Ethernet, a recent development, extends the data rate to 100 MHz.

FCT Logic. Fast CMOS Technology. The "glue logic" integrated circuits used to construct digital electronic systems. See Bit, CMOS, Logic Gate, TTL.

Fibre Channel. A standard for data communications that prescribes how to interconnect computers and peripherals at specified data rates between 13 and 100 MB/s (millions of bytes per second).

FIFO. First-In, First-Out Memory. A FIFO allows data to be inserted at one end and taken out of the other. FIFOs are "asynchronous" circuits, which means that the data can be added to the FIFO at a different rate than it is removed. FIFOs are, therefore, useful for communicating data between systems operating at different data rates.

FPGA. Field Programmable Gate Array. Like a PLD, an integrated circuit that is shipped blank to customers and can be programmed by them into a custom logic circuit. FPGAs typically consist of many more, much smaller ("finer-grain") logic elements than PLDs, and can therefore be used to implement more complex designs.

Glue logic. Fixed or programmable logic devices used on a PC motherboard to implement the few functions not already integrated into the chipset.

HOTLink™. The name for Cypress's CY7B923/CY7B933 transmitter/receiver data communications chipset for high-speed optical link media.

Hub. A kind of multifunction switching equipment, typically located at the center of a star-topology local area network. (In a star topology, connections radiate out from the center to the peripheral nodes, like the spokes of a wheel). A hub performs a variety of duties such as signal routing and switching. It also acts as a repeater: i.e., a hub can receive incoming signals and resend them to other hubs. A LAN hub is sometimes loosely referred to as a central switch.

Integrated Circuit (IC). The implementation of an electronic function or many functions as a monolithic structure on a substrate, usually silicon. IC fabrication technology has progressed to the point where several million transistors can be deposited on a small substrate, or so-called "chip," allowing very large memories, and even complete systems, to be built in a single IC.

ISDN. Integrated Services Digital Network. A single communications vehicle that supports all forms of signal traffic—low- and high-speed data, audio, and video—across a standardized interface and on a single hardware platform.

Land-line. A telephone circuit, in colloquial parlance.

GLOSSARY (continued)

Local Area Network (LAN). A communications network linking nodes (interconnection points) in the same "local" area—within a building, or within some limited radius (e.g., 0.5 miles), etc. *Compare* Wide Area Network.

Medium Attachment Unit (MAU). In a local area network (LAN), the device used at a node to couple the data terminal equipment to the transmission medium (e.g., coaxial cable).

Modem. *Short for* modulator-demodulator. A modem is used to connect digital devices across analog transmission lines. It converts an incoming digital data stream into an outgoing analog signal, and *vice versa*.

Motherboard. The main printed-circuit board in any electronic equipment. Most widely associated today with the personal computer, the motherboard carries almost all the ICs and other semiconductors that make a PC a PC.

Network Interface Card (NIC). The connection between an Ethernet network and a personal computer. A NIC integrates a controller and a transceiver onto a single printed-circuit card, which plugs into the computer's backplane.

Packet. A group of binary bits defined in terms of their format and maximum allowable number. A packet is switched and transmitted as a composite whole through a packet-switching data communications network.

PBX. A telephone switchboard.

PCI bus. Peripheral Component Interface bus. The backbone of a modern PC design, the PCI bus is the PC industry's *de facto* standard interface between the central processor and its associated cache and read/write memories and all the other devices that connect to them (video card, LAN adaptor, controllers, etc.).

PCMCIA card. The Personal Computer Memory Card International Association helps standardize credit-card-sized modules ("cards") capable of storing a variety of functionalities (software in ROM, fax/modem, e.g.) needed by portable PCs and other small, processor-based portable equipment.

Physical layer. A communications technology is defined by a standardized seven-layer model in which the top layer, Layer 7, called the Application Layer, is the user's interface to the network. The layers proceed downward to the bottom layer—Layer 1, or the Physical Layer—which specifies the electrical and mechanical characteristics of the protocol used to transfer data between a pair of adjacent points on the network; it also interfaces to the transmission medium itself. Cypress's CY7C971 is a physical layer transceiver for Ethernet and Fast Ethernet running on a twisted-pair medium.

PLD. Programmable Logic Device. An integrated circuit that is shipped blank to customers and can be field programmed into a custom logic circuit, such as a counter or an adder. The circuit is fabricated using an EPROM or Flash core connected to logic circuitry. The custom logic function is created by programming the core into a custom pattern of "ones" and "zeros."

Protocol. In general, a set of rules. In particular here, the rules that govern networked communications. Low-level protocols define such "detailed" characteristics as transmission rates, data encoding schemes, physical interfaces, network addressing schemes, and the method by which nodes contend for a chance to send data over the network. High-level protocols deal with more user-related issues such as file sharing and printing.

PROM. Programmable Read Only Memory. A "Read Only Memory" (ROM) is a memory in which the data is fixed even when the power is off. ROMs are needed in applications such as "bootstrapping" computers (providing start-up data) when they are first turned on. Programmable ROMs are shipped blank to customers and customized in their facilities. See EPROM.

RAM3. An advanced, Cypress-proprietary process technology allowing the fabrication of ICs having 0.5-micron feature geometry. Such tight design rules permit chip sizes to be reduced, thus increasing circuit operating speed, and allow more-complex layered structures in a chip of any given size.

Routers. Equipment in a packet-switching network that determine the path through the network of any given packet.

GLOSSARY (continued)

Served Available Market (SAM). For a given company, the portion of the total available market (see) that the company's products are able to be sold into.

SONET. Synchronous Optical Network. The SONET standard defines a very-high-speed data-transport mechanism and in part forms the basis of the so-called Physical Layer of the Broadband Integrated Services Digital Network (B-ISDN). A SONET network can carry ATM data packets (see ATM), for example. In Europe, SONET is known as Synchronous Digital Hierarchy, or SDH.

SRAM. Static Random Access Memory. A Random Access Memory allows the user to store and retrieve data at a high rate of speed. The term "static" means that as long as the power is on, the memory will retain its data. This feature contrasts with Dynamic Random Access Memories (DRAMs) which allow the data to fade away every few milliseconds. Thus, DRAMs must have their data refreshed continuously, even when the power is on. In industry parlance, "slow" SRAMs are those having access times longer than 45 nanoseconds, while "fast SRAMs have access times shorter than 45 nanoseconds; an SRAM with an

access time of 15 nanoseconds or less is considered "very fast."

Total Available Market (TAM). The sum total of the universe of all possible sales for a given type of product or for a range of products.

Transceiver. *Short for* transmitter-receiver. A transceiver combines into a single unit the functionality of a transmitter and a receiver. Cypress's CY7C971 is a Fast Ethernet transceiver for use with unshielded twisted-pair wire transmission media.

VMEbus. VME stands for VERSAmodule Eurocard. The VMEbus is a non-proprietary, high-speed, 32- or 64-bit-wide backplane (see) interface, standardized electrically and mechanically, that simplifies integration of data processing and storage devices, and peripheral control devices, into a tightly coupled hardware configuration.

Wide Area Network (WAN). A communications network distinguished from a LAN (see) mainly by its longer-distance capabilities. A WAN may incorporate several LANs.

Yield. The percent of chips on a processed wafer that pass all functional and technical requirements necessary for customer shipment.

CYPRESS WORLDWIDE LOCATIONS

NORTH AMERICAN SALES OFFICES

Huntsville, Alabama
Calabasas, California
Irvine, California
San Diego, California
San Jose, California
Denver, Colorado
Clearwater, Florida
Orlando, Florida
Pompano Beach, Florida
Roswell, Georgia
Palatine, Illinois
Columbia, Maryland
Minnetonka, Minnesota
Laurence Harbor, New Jersey
Nashua, New Hampshire
Poughkeepsie, New York
Raleigh, North Carolina
Toronto, Ontario, Canada
Beaverton, Oregon
Trevose, Pennsylvania
Austin, Texas
Houston, Texas
Richardson, Texas

INTERNATIONAL SALES OFFICES

Europe

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Les Ulis Cedex, France
Zorneding, Germany
Orbassano, Italy
Milano, Italy
Taby, Sweden
Cheshire, United Kingdom
Hertfordshire, United Kingdom

Asia

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Tokyo, Japan
Singapore, Singapore
Taipei, Taiwan

MANUFACTURING CENTERS

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Round Rock, Texas
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Les Ulis Cedex, France
Tokyo, Japan
Hertfordshire, United Kingdom

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Pierre Lamond ^(1,2) T. J. Rodgers ⁽³⁾ Fred B. Bialek Eric Benhamou ⁽²⁾ John C. Lewis ⁽¹⁾	Chairman of the Board of Directors, General Partner, Sequoia Capital President and Chief Executive Officer Consultant President and CEO, 3Com Corporation Chairman, Amdahl Corporation
EXECUTIVE OFFICERS	T. J. Rodgers, President and Chief Executive Officer Antonio Alvarez, Vice President, Research and Development Emmanuel Hernandez, Vice President, Finance and Chief Financial Officer Lothar Maier, Vice President, Worldwide Wafer Manufacturing J. Daniel McCranie, Vice President, Marketing and Sales	
VICE PRESIDENTS AND SUBSIDIARY PRESIDENTS	Dan Barrett, Vice President, European Sales and Marketing David Barringer, Vice President, New Product Planning and Applications Bernard Glasauer, Vice President, Quality and Reliability Assurance Kirk Johnson, Corporate Controller Larry Jordan, Vice President, Marketing Jeff Kaszubinski, Vice President, Worldwide Manufacturing Paul Keswick, Vice President, Programmable Products Division Jim Kupec, Vice President, Memory Products Division Sean Salehi, Vice President, Management Information Systems, Chief Information Officer Randy Seale, Vice President, North American Distribution R. Michael Starnes, Vice President, Process Technology ⁽³⁾ Joyce Sziebert, Vice President, Human Resources John Torode, Vice President, Computation Products Division Ron Treadway, Vice President, Data Communications Division William Verdi, Vice President, Strategic Accounts Michael Villott, Vice President, North American Sales	
LEGAL MATTERS	Questions regarding legal matters should be directed to: Emmanuel Hernandez, Vice President, Finance and Chief Financial Officer	
LEGAL COUNSEL	Wilson, Sonsini, Goodrich & Rosati 650 Page Mill Road Palo Alto, California 94304-1050 (415) 493-9300	
INDEPENDENT ACCOUNTANTS	Price Waterhouse LLP 150 Almaden Blvd. San Jose, California 95113 (408) 537-1200	
CORPORATE OFFICE	Cypress Semiconductor Corporation 3901 North First Street San Jose, California 95134-1599	Telephone: (408) 943-2600 Facsimile: (408) 943-2796 World Wide Web: http://www.cypress.com
REGISTRAR AND TRANSFER AGENT	BancBoston State Street Investor Services, L.P. 150 Royall Street Canton, MA 02021 (617) 575-2000	
ANNUAL MEETING	The annual meeting of stockholders for Cypress Semiconductor Corporation will be held on Friday, May 3, 1996, 10:00 a.m., local time, at the Company's offices at 4001 North First Street, San Jose, CA 95134.	
COMMON STOCK	Cypress Semiconductor Corporation's common stock is traded on the New York Stock Exchange under the symbol "CY."	
FORM 10-K	A copy of the Corporation's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be made available without charge to all stockholders upon written request to the Company. Direct requests to the attention of the Chief Financial Officer at the corporate office listed above.	

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Founder