

Securities and Exchange Commission
450 Fifth St., N.W.
Washington, D.C. 20549

August 16, 1994

RE: Form 10-Q
Cypress Semiconductor Corporation
Commission File No.1-10079
CIK NUMBER 0000791915

Ladies and Gentlemen:

In accordance with Regulation S-T, we have submitted herewith in electronic format, via EDGAR, one copy of the Company's Quarterly Report on Form 10-Q, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

Pursuant to Rule 901(d) of Regulation S-T, by copy of this correspondence, the Company has submitted to the Commission one conforming paper format copy of this electronic filing.

Please direct all questions concerning the enclosed materials to the undersigned.

Sincerely,

CYPRESS SEMICONDUCTOR CORPORATION

/s/ STUART INOUYE

Stuart Inouye
Corporate Accounting Manager

Enclosures

cc: Conforming Paper Copy
Filer Support
U.S. Securities and Exchange Commission
Operations Center; Stop 0-7
6432 General Green Way
Alexandria, VA 22312

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SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)

- Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended July 4, 1994 or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from

----- to -----.

Commission file number 1-10079

CYPRESS SEMICONDUCTOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

94-2885898

(State or other jurisdiction
of incorporation or
organization)

(I.R.S. employer
identification No.)

3901 North First Street, San Jose, California

95134-1599

(address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (408) 943-2600

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since
last report)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for at least the past 90 days.

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

July 4, 1994 (all one class): 37,726,000

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CYPRESS SEMICONDUCTOR CORPORATION

FORM 10-Q
Quarter Ended July 4, 1994

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CYPRESS SEMICONDUCTOR CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Dollars in thousands)
 (Unaudited)

	July 4, 1994	January 3, 1994
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,299	\$ 37,657
Short-term investments	181,612	42,933
	-----	-----
Total cash, cash equivalents and short-term investments	203,911	80,590
Accounts receivable, net of allowances of \$1,845 at July 4, 1994 and \$1,347 at January 3, 1994	58,350	46,247
Other receivables	4,472	7,957
Inventories	31,212	29,285
Other current assets	21,688	21,759
	-----	-----
Total current assets	319,633	185,838
Property, plant and equipment (net)	147,544	133,920
Other assets	20,972	20,890
	-----	-----
Total assets	\$ 488,149	\$ 340,648
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 38,350	\$ 26,024
Accrued liabilities	23,795	19,641

Deferred income on sales to distributors	8,627	8,851
Income taxes payable	9,962	6,671
	-----	-----
Total current liabilities	80,734	61,187
Convertible subordinated notes	92,703	--
Deferred income taxes	4,839	4,432
	-----	-----
Total liabilities	178,276	65,619
	-----	-----
Minority interest in subsidiaries	3,344	3,344
	-----	-----

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CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(Dollars in thousands)
(Unaudited)

	July 4, 1994	January 3, 1994
	-----	-----
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; none issued and outstanding	--	--
Common stock, \$.01 par value, 75,000,000 shares authorized; 42,499,000 and 40,973,000 issued; 37,726,000 and 36,200,000 outstanding	425	410
Additional paid-in capital	221,579	207,846
Retained earnings	130,609	109,513
	-----	-----
	352,613	317,769
Less shares of common stock held in treasury, at cost: 4,773,000 at July 4, 1994 and January 3, 1994	(46,084)	(46,084)
	-----	-----
Total stockholders' equity	306,529	271,685
	-----	-----
Total liabilities and stockholders' equity	\$ 488,149	\$ 340,648
	=====	=====

See accompanying notes to condensed consolidated financial statements.

CYPRESS SEMICONDUCTOR CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except per share data)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	July 4, 1994	June 28, 1993	July 4, 1994	June 28, 1993
Revenues	\$ 100,217	\$ 74,753	\$ 191,174	\$ 144,463
Costs and expenses:				
Cost of revenues	55,676	45,227	106,892	86,810
Research and development	13,601	13,433	26,194	27,412
Marketing, general and administrative	12,871	11,661	25,904	22,335
Restructuring and other other non-recurring costs	--	(408)	--	(408)
Total operating costs and expenses	82,148	69,913	158,990	136,149
Operating income	18,069	4,840	32,184	8,314
Interest expense	(1,301)	(52)	(1,328)	(221)
Interest and other income	1,599	748	2,630	1,367
Income before income taxes	18,367	5,536	33,486	9,460
Provision for income taxes	(6,796)	(1,931)	(12,390)	(3,406)
Net income	\$ 11,571	\$ 3,605	\$ 21,096	6,054
Net income per share	\$ 0.29	\$ 0.10	\$ 0.52	\$ 0.16
Weighted average common and common equivalent shares outstanding	40,515	37,502	40,408	37,528

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended	
	July 4, 1994	June 28, 1993
Cash flows from operating activities:		
Net income	\$ 21,096	\$ 6,054
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,438	21,544
Provision for restructuring and other non-recurring costs	--	(408)
Non-cash interest and amortization of debt issuance costs	497	--
Changes in operating assets and liabilities:		
Receivables	(8,618)	(8,502)
Inventories	(1,927)	10,924
Other assets	1,116	(2,690)
Accounts payable and accrued liabilities	16,480	(6,794)
Deferred income	(224)	1,426
Income taxes payable and deferred income taxes	3,698	4,254
Net cash generated by operations	54,556	25,808
Cash flows from investing activities:		
(Increase) decrease in short-term investments	(138,679)	7,881
Acquisition of property, plant and equipment	(41,375)	(19,612)
Sale of plant and equipment	7,918	--
Acquisition of CONTAQ Microsystems, Inc.	(969)	--
Buyout of minority interest in subsidiaries	--	(3,523)
Sale of Ross Technology, Inc.	--	1,969
Net cash used for investing activities	(173,105)	(13,285)
Cash flows from financing activities:		
Repurchase of common stock	--	(16,898)
Issuance of common stock	13,748	7,153
Principal payments on capital lease obligations	--	(2,155)
Issuance of convertible subordinated notes	92,293	--
Deferred debt issuance costs	(2,850)	--
Other	--	(34)
Net cash provided (used) by financing activities	103,191	(11,934)

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)
(Unaudited)

	Six Months Ended	
	July 4, 1994	June 28, 1993

Net increase (decrease) in cash and cash equivalents	(15,358)	589
Cash and cash equivalents, beginning of year	37,657	12,371
	-----	-----
Cash and cash equivalents, end of quarter	\$ 22,299	\$ 12,960
	=====	=====

See accompanying notes to condensed consolidated financial statements.

CYPRESS SEMICONDUCTOR CORPORATION

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Interim Statements

In the opinion of management, the accompanying, unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information included therein. While the Company believes that the disclosures are adequate to make the information not misleading, it is suggested that this financial data be read in conjunction with the audited financial statements and notes thereto for the year ended January 3, 1994 included in the Company's 1993 Annual Report on Form 10-K.

For interim financial reporting purposes, the Company reports on a 13-week quarter. The results of operations for the three month period ended July 4, 1994 are not necessarily indicative of the results to be expected for the full year.

2. Balance Sheet Components

July 4, January 3,

	1994	1994
	-----	-----
Inventories:		
Raw materials	\$ 8,630	\$ 8,820
Work in process	14,357	13,103
Finished goods	8,225	7,362
	-----	-----
	\$ 31,212	\$ 29,285
	=====	=====

3. 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 is not significantly different than primary earnings per share.

4. Impact of Litigation

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.

Texas instruments (TI) has charged the Company and four other semiconductor companies with infringement of two patents, primarily covering the plastic encapsulation process used to package semiconductor devices. This action was filed before the International Trade Commission (ITC) in Washington, D.C., and in the U.S. District Court in Dallas, Texas. The ITC has ruled that the plastic packaging process known as "bottom gating" does infringe, but that "top gating," used now by the Company does not infringe TI's patent. The Company contends that the patents are invalid. In March of 1993, the U.S. District Court of Appeals for the Federal Circuit affirmed the ITC's ruling. A trial date has been scheduled for April 1995 in the U.S. District Court regarding this matter.

In January and February 1992, the Company and certain of its officers were named defendants in three purported class-action suits filed in the U.S. District Court for the Northern District of California. The suits filed are for alleged violations of the Securities Exchange Act of 1934 and certain provisions of state law regarding disclosure of short-term business prospects. In 1992, the three securities class-action complaints were consolidated by the U.S. District Court of Northern California. The trial date has been scheduled for June 5, 1995.

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 possibility of a material adverse impact on the Company's financial position as a result of these matters is remote. 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. In addition, the Company could be required to alter certain of its production processes or products as a result of these matters.

5. Convertible Subordinated Notes

On March 31, 1994, the Company completed a \$110 million private placement of 7-year discounted convertible subordinated debentures. The debentures are due in the year 2001, with a coupon rate of 3.15 percent and a yield-to-maturity of 6.04 percent. The debentures are convertible into approximately 3,969,600 shares of common stock and are callable by the Company, three years from the

date of issuance. Net proceeds were \$89.4 million, after issuance costs of \$2.9 million. Issuance costs will be amortized, using the interest rate method, over the life of the debentures.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

Revenues for the quarter and six month periods ended July 4, 1994 increased 34.1% and 32.3%, respectively, over the comparable periods a year ago, increasing to \$100.2 million and \$191.2 million, respectively, compared to \$74.8 million and \$144.5 million in 1993. Strong growth in the Company's core product lines propelled revenues beyond \$100 million for the quarter, and led to record earnings of \$0.29 per share. The Company significantly increased revenues for its high-speed static RAM products and Data Communications products. Also contributing to increased revenues in 1994 was the addition of the newly-formed Computation Products Division, mainly consisting of IC Designs, Inc., which was acquired in October of 1993.

The Company's cost of revenues as a percentage of revenues for the quarter and six month periods ended July 4, 1994 decreased to 55.6% and 55.9%, respectively, in comparison with 60.5% and 60.1%, respectively, in the comparable periods in 1993. Cost savings from offshore operations continue to lower assembly and test manufacturing costs. Increased yields in the domestic production wafer fabrication facilities have also reduced costs.

Research and development expenses were 13.6% and 13.7%, of revenues for the quarter and six month periods ended July 4, 1994, versus 18.0% and 19.0% in the comparable periods in 1993. The decrease in R&D is attributed primarily to the elimination of significant R&D spending on the Company's subsidiary, Ross Technology, Inc. (Ross) and the Company's strategy to focus on its "Top Ten" projects and hold R&D spending to a slower growth rate than revenue. Ross was subsequently sold at the end of the second quarter of 1993 to Fujitsu Limited.

Marketing, general and administrative expenses have decreased to 12.8% and 13.5% of revenues for the quarter and six month periods ended July 4, 1994, versus 15.6% and 15.5% in the comparable period in 1993. Revenue growth and cost control were the main factors attributing to decreased cost as a percentage of revenues.

Operating income for the quarter and six month periods ended July 4, 1994 was \$18.1 million, or 18.0% of revenues, and \$32.2 million, or 16.8% of revenues, respectively. This is an increase from the comparable periods in 1993 which had \$4.8 million, or 6.5% of revenues, and \$8.3 million, or 5.8% of revenues, respectively. The increase in operating income is attributed to revenue growth and improved margins resulting from the Company's cost reduction strategy.

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FACTORS AFFECTING FUTURE RESULTS:

A number of uncertainties exist that could have an impact on the Company's future, including general economic conditions, the rate of growth of the networking, computer and telecommunications market, and the acceleration of new product introductions. The Company's products continue to experience increased competition and as a result, are subject to decreases in average selling prices.

Typically, the Company requires new orders in a quarter to meet that quarter's revenue plan. In addition, the semiconductor industry is generally characterized by a highly competitive, rapidly changing environment, where results are often significantly impacted by the introduction of new products, new manufacturing technologies, and rapid changes in the demand for products which can lead to unpredictability in monthly revenues. Due to the effect of these forces on the Company's future operations, past performance should be only one indicator of future performance and investors should not use historical trends to anticipate results in future periods.

Current pending litigation and claims are set forth in Note 4 of the Notes to Condensed 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 possibility of a material adverse impact on the Company's financial position as a result of these matters is remote. 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. 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 the first half of 1994. Cash, cash equivalents and short-term investments equalled \$203.9 million at July 4, 1994, an increase of \$123.3 million from the end of 1993. The primary reason for the increase in cash was the \$89.4 million net proceeds received from the private placement of convertible subordinated notes. The Company also received \$7.9 million for the sale of fab equipment in a sale-leaseback transaction in May 1994. The Company plans to continue using the equipment by leasing the equipment back from the lender under an operating lease. A gain of \$3.2 million was realized from this transaction which was deferred and will be amortized over the life of the lease. All proceeds will be used for general corporate purposes, including expansion of the Company's manufacturing capacity by adding a state-of-the-art wafer fabrication facility at the same site as the current Cypress Minnesota plant in Bloomington, Minnesota (Fab IV). Purchases of capital assets for the remainder of 1994 are expected to be approximately \$100 million.

The Company purchased \$41.4 million in capital equipment during the first half of 1994. A majority of the assets purchased will be used to increase capacity in the Company's two domestic production wafer fabrication facilities.

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The Company also acquired CONTAQ Microsystems Inc. during the second quarter of 1994 for a net cash outlay of \$1.0 million. CONTAQ supplies chipsets to makers of personal computers.

The Company may continue its stock repurchase plan whereby shares may be repurchased from time to time. As of July 4, 1994, 4,773,000 shares have been

repurchased under the current plan and there are a total of 600,000 authorized shares remaining to be purchased. The Company will utilize a portion of the repurchased shares for issuance in connection with the Company's stock programs.

While the Company plans to fund working capital requirements through existing capital resources and internally generated cash flow, the Company may, based upon favorable market conditions, choose to raise additional capital through the issuance of equity or debt securities of the Company or its subsidiaries. The Company may also from time to time consider using available funds to acquire complementary technologies and businesses.

PART II - OTHER INFORMATION

ITEM 1. The information required by this item is included in Part I in Note 4 of Notes to Condensed Consolidated Financial Statements.

ITEM 6:

- (a) Exhibits - None
- (b) Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CYPRESS SEMICONDUCTOR CORPORATION

Date: August 16, 1994

/s/ T.J. Rodgers

T.J. Rodgers
President and Chief Executive
Officer

/s/ Emmanuel Hernandez

Emmanuel Hernandez
Vice President, Finance and
Administration and Chief Financial
Officer

