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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 September 30, 1996 or

Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the transition period
from _____ to _____.

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.

September 30, 1996 (all one class): 80,570,000

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CYPRESS SEMICONDUCTOR CORPORATION

FORM 10-Q

Quarter Ended September 30, 1996

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Part 1 - Item 1:

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

	Sep. 30, 1996	Jan. 1, 1996
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 201	\$ 9,487
Short-term investments	95,356	152,131
	-----	-----
Total cash, cash equivalents and short-term investments	95,557	161,618
Accounts receivable, net of allowances of \$2,358 at September 30, 1996 and \$2,828 at January 1, 1996	77,074	108,587
Inventories	43,730	28,978
Other current assets	57,843	52,454
	-----	-----
Total current assets	274,204	351,637
Property, plant and equipment (net)	444,521	336,593
Other assets	84,606	62,498
	-----	-----
Total assets	\$ 803,331	\$ 750,728

CYPRESS SEMICONDUCTOR CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(Dollars in thousands)
 (Unaudited)

	Sep. 30, 1996	Jan. 1, 1996
	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 86,730	\$ 82,315
Accrued liabilities	21,477	46,800
Line of credit	49,000	--
Deferred income on sales to distributors	15,137	13,190
Income taxes payable	5,406	18,752
	-----	-----
Total current liabilities	177,750	161,057
Convertible subordinated notes	97,633	95,879
Deferred income taxes	15,653	15,653
Other long-term liabilities, including minority interest	10,064	6,040
	-----	-----
Total liabilities	301,100	278,629
	-----	-----

Commitments and contingencies (Note 4 and 5)

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; 90,830,000 and 88,924,000 issued; 80,570,000 and 81,501,000 outstanding	908	889
Additional paid-in capital	303,979	292,713
Retained earnings	314,187	262,462
	-----	-----

	619,074	556,064
Less shares of common stock held in treasury, at cost: 10,260,000 at September 30, 1996 and 7,423,000 at January 1, 1996	(116,843)	(83,965)
Total stockholders' equity	502,231	472,099
Total liabilities and stockholders' equity	\$ 803,331	\$ 750,728

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	Sep. 30, 1996	Oct. 2, 1995	Sep. 30, 1996	Oct. 2, 1995
Revenues	\$ 109,647	\$ 161,155	\$ 415,282	\$ 418,793
Costs and expenses:				
Cost of revenues	81,075	73,860	229,950	195,594
Research and development	19,826	18,305	63,231	50,367
Selling, general and administrative	14,998	17,908	48,640	50,705
Restructuring and other non-recurring costs (benefits) (Note 4)	(7,018)	--	(7,018)	17,800
Total operating costs and expenses	108,881	110,073	334,803	314,466
Operating income	766	51,082	80,479	104,327
Interest expense	(1,617)	(1,560)	(4,545)	(4,708)
Interest and other income	1,769	1,215	5,514	5,774
Income before income taxes	918	50,737	81,448	105,393
Provision for income taxes	(335)	(18,518)	(29,724)	(38,467)
Net income	\$ 583	\$ 32,219	\$ 51,724	\$ 66,926
Net income per share:				
Primary	\$ 0.01	\$ 0.35	\$ 0.62	\$ 0.75
Fully diluted	\$ N/A	\$ 0.33	\$ 0.60	\$ 0.71
Weighted average common and common equivalent shares outstanding:				
Primary	83,028	91,681	83,244	89,487
Fully diluted	N/A	99,621	91,211	97,824

See accompanying notes to condensed consolidated financial statements.

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CYPRESS SEMICONDUCTOR CORPORATION

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

	Nine Months Ended	
	Sep. 30, 1996	Oct. 2, 1995
Cash flows from operating activities:		
Net income	\$ 51,724	\$ 66,926
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,349	44,433
Provision for restructuring and other non-recurring costs (benefits)	(7,018)	17,800
Non-cash interest and amortization of debt issuance costs	2,063	1,963
Changes in operating assets and liabilities:		
Receivables	28,048	(32,140)
Inventories	(14,752)	(1,149)
Other assets	(4,107)	(13,347)
Accounts payable and accrued liabilities	(14,367)	11,447
Deferred income	1,947	1,907
Income taxes payable and deferred income taxes	(13,346)	20,827
Net cash generated by operations	100,541	118,667
Cash flows from investing activities:		
Decrease (Increase) in short-term investments (net)	56,775	(19,981)
Acquisition of property, plant and equipment (net)	(175,748)	(143,969)
Net cash used for investing activities	(118,973)	(163,950)
Cash flows from financing activities:		
Repurchase of common stock	(32,878)	--
Borrowing from line of credit	49,000	--
Issuance of common stock	11,285	29,755
Restricted investments related to building lease agreements	(22,761)	(14,074)
Other long-term liability, including minority interest	4,500	--
Net cash generated by financing activities	9,146	15,681
Net decrease in cash and cash equivalents	(9,286)	(29,602)
Cash and cash equivalents, beginning of year	9,487	33,308
Cash and cash equivalents, end of quarter	\$ 201	\$ 3,706

See accompanying notes to condensed consolidated financial statements.

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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, this financial data should be read in conjunction with the audited financial statements and notes thereto for the year ended January 1, 1996 included in the Company's 1995 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 and nine month periods ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.

2. Balance Sheet Components

	September 30, 1996	January 1, 1996
	-----	-----
Inventories:		
Raw materials	\$ 12,413	\$ 9,859
Work in process	19,024	12,682
Finished goods	12,293	6,437
	-----	-----
	\$ 43,730	\$ 28,978
	=====	=====

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 assumes full conversion of the convertible subordinated notes into common shares and the elimination of the related interest requirements (net of income taxes). In the third quarter of 1996, the effect of the convertible subordinated notes would cause fully diluted earnings per share to be anti-dilutive. As a result, only primary earnings per share is presented for the three month period ended September 30, 1996.

4. Restructuring and Other Non-recurring Costs (Benefits)

In July 1996, the Federal Circuit Court of Appeals affirmed the decision of the trial court that the Company did not infringe on patents filed by Texas Instruments. In addition, in September 1996, the Court ruled it would not hear an appeal from the plaintiff regarding this matter. As a result of this

ruling and based on discussion with legal counsel, the Company believes that the likelihood of an adverse outcome is remote. As such, the Company reversed the \$17.8 million reserve it established in March 1995 (See Note 5). The Company also announced a restructuring of its San Jose wafer fabrication facility ("Fab 1"). The restructuring will reduce the fab's production capability and transform it into strictly a research and development facility. As a result of the restructuring, the Company recorded a pretax charge of \$9.1 million principally related to the write-down of certain excess equipment and the transfer of certain other equipment to its Texas and

Minnesota production wafer fabrication plants. The Company's objective is to cease production activity in this facility by December 1996.

Additionally during the quarter, the Company recorded a pre-tax credit of \$3.3 million related to the reimbursement of defense costs incurred in conjunction with certain litigation matters discussed in Note 5 before. This credit was more than offset by other restructuring charges related to agreements with certain companies regarding cross-licensing and other matters.

5. 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.

In June 1995, the U.S. District Court of Northern California dismissed by a summary judgement the class-action lawsuit filed against the Company and certain of its officers. The suit filed was for alleged violations of the Securities 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. The Company will vigorously defend itself in this matter and, subject to the inherent uncertainties of litigation and based upon discovery completed to date, management believes that the resolution of this matter will not have a material adverse impact on the Company's financial position or results of operations. However, should the outcome of this action 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 and results of operations.

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 1995, 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. In July 1996, the Federal Circuit Court of Appeals affirmed the decision of the trial court that the Company did not infringe on either of the patents in suit, and entered judgement to that effect. In September 1996, the Court decided that it would not hear any appeal filed by the plaintiff regarding this matter. While TI has the right to seek reconsideration of that decision and the right to petition for a writ of certiorari from the United States Supreme Court, litigation counsel for the Company believes that it is remote that any such motion for reconsideration would be granted or that writ of certiorari would issue. As a result of the rulings, the Company reversed the \$17.8 million reserve recorded in March 1995 with respect to this lawsuit.

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 claims that the Company infringed on several of AMD's Programmable Logic Patents. In November 1995, the Company filed a patent infringement action against AMD in the U.S. District Court for the District of Minnesota. The Company alleged infringement by AMD of a number of the Company's patents in this action. In April 1996, the Company and AMD signed a cross-licensing agreement terminating the patent litigation between the two companies. The agreement allows each company to continue to produce its own products with no threat of future patent lawsuits by the other company.

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Part I - Item II:

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

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ from those projected in the forward-looking statements as a result of the factors set forth in "Factors Affecting Future Results" and elsewhere in this report, as well as factors set forth in the Company's Annual Report on Form 10-K.

RESULTS OF OPERATIONS:

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Revenues for the quarter and nine month periods ended September 30, 1996 decreased 32.0% and 0.1%, respectively, over the comparable periods a year ago, decreasing to \$109.6 million and \$415.3 million compared to \$161.2 million and \$418.8 million in 1995. The \$51.6 million decrease in revenues, comparing the third quarter of 1996 to the same period in 1995, was primarily due to the decline in revenues experienced in the Memory Products Division ("MPD"). MPD, the Company's highest revenue producing product line, recorded a \$49.6 million decline in revenues, dropping from \$98.5 million in the third quarter of 1995 to \$48.9 million this quarter. The sharp decline in MPD's revenues was led by its Static Random Access Memory ("SRAM") line of products which had significant

decreases in sales volume and average selling price ("ASP") from the comparable quarter a year ago. Sales volume for the sale of SRAM products decreased 28.6% and ASPs decreased 28.7% comparing the third quarter of 1996 to the comparable period in 1995. The majority of the decline in sales volume and ASPs can be attributed to the 256K and 1 Meg line of products, where an over supply of product and resulting inventory correction by end user customers has slowed customer orders. Revenues in the Datacommunication Division ("DCD") increased \$0.9 million in comparing the third quarter of 1996 to the comparable quarter in 1995. Unit sales of DCD products in the third quarter of 1996 grew 9.5% in comparison to the same quarter last year, while ASPs remained relatively constant. The revenue growth was shared equally between the Specialty Memory and Channel line of products. Revenues in the Programmable Products Division ("PPD") remained relatively stable decreasing to \$23.9 million in the third quarter of 1996 compared to \$24.4 million in the same quarter in 1995. Increased revenues in the Complex Programmable Logic Device and the Programmable Read-Only Memory ("PROM") line of products largely offset lower revenues recorded in the division's other product lines. The increase in PPD's sales volume in the third quarter of 1996, primarily in the PROM product line, offset the decline in the Division's ASP. The Computation Products Division ("CPD") also experienced a slight decline in revenues from \$16.4 million in the third quarter of 1995 to \$15.5 million in the comparable quarter in 1996.

As noted above, the Company continued to experience reductions in ASPs, particularly in its SRAM products. The decrease in ASPs caused by overall market demand softness, mainly attributable to over supply in the industry and

the resulting inventory corrections by end user customers, particularly in the telecommunication and datacommunication markets which the Company principally serves. Even though end consumption continues to grow, in these two markets, the Company believes some customers have built above normal levels of inventory which they are currently in the process of drawing down. The greater availability of products due to excess supply has also shortened the ordering cycle of customers due to their expectation of product availability. The Company has continued to build certain levels of inventory for select core products despite the overall market softness because the Company wants to position itself to have sufficient levels of inventory of these products for the anticipated demand improvements. The Company's inventory levels have increased and may continue to increase in the future resulting in potential exposure to obsolescence, excess quantities, aged inventory and lower-of-cost-or-market write-down if demand were to not improve as expected by the Company. The continuation of these factors, which have impacted the industry and the Company, in the future, could have a material adverse effect on the Company's results of operations.

The Company's cost of revenues as a percentage of revenues for the quarter and nine month periods ended September 30, 1996 increased to 73.9% and 55.4%, respectively, in comparison with 45.8% and 46.7%, respectively, for the comparable periods in 1995. Due to lower ASPs, particularly in the SRAM market, and a change in product mix to products yielding lower margins, cost of revenues grew 9.8% in the third quarter of 1996 in comparison to the comparable period in 1995, while revenues decreased 32.0% comparing the same time periods. During the third quarter of 1996, the Company recorded an additional \$16.0 million inventory reserve for inventory built in excess of near-term demand increasing the percentage of gross inventory reserved at the end of the third quarter of 1996 compared to the comparable quarter in 1995. Should ASPs in the future continue to erode, this could have a material adverse effect on the Company's cost of revenues as a percentage of revenues. The Company continues to explore new methods of reducing manufacturing costs in order to mitigate the effects of declining ASPs. The Company will begin production in its new Philippines assembly and test plant in the fourth quarter of 1996. Although this is expected to generate cost savings for the Company in the future, under-absorption of a start-up facility will adversely impact cost of revenues in the near-term.

Research and development ("R & D") expenses were 18.1% and 15.2% of revenues for the quarter and nine month periods ended September 30, 1996, versus 11.4% and

12.0% in the comparable periods for 1995. The significant increase in R & D expenses as a percent of revenues comparing the third quarter of 1996 to the third quarter of 1995 is primarily a result of the 32.0% decline in revenues between these periods. Actual R & D spending increased \$1.5 million and \$12.9 million, respectively, from the comparable quarter and nine month periods in the prior year as the Company continued to increase spending in R & D to accelerate the development of new products and enhance its design and process technologies. With the Company's commitment to increase design capabilities in its design centers and the transformation of the San Jose wafer facility into a R & D wafer facility, the rise in actual R & D spending is expected to continue in the future as the Company explores new markets and improves its design and process technologies in an effort to increase revenue and lower costs.

Selling, general and administrative ("SG&A") expenses for the quarter ended September 30, 1996 increased to 13.7% of revenues compared to 11.1% in the comparable period a year ago. Although actual sales and marketing expenses and actual general and administrative expenses decreased \$2.3 million and \$0.6 million, respectively, in the third quarter of 1996 compared to the third quarter in 1995, the decline was significantly less than the decline in revenues. The decline in actual sales and marketing expenditures is a function of decreasing revenues the Company has experienced over the past six months. Variable costs, such as commission expense, have decreased significantly as a result of lower revenues. The decrease in actual general and administrative expenses is primarily due to lower legal costs. In the third quarter of 1995, the Company recorded legal costs in excess of those typically incurred as a result of the securities class-action lawsuit and the Texas Instruments patent infringement lawsuit. SG&A expenses for the nine month period ended September 30, 1996 decreased to 11.7% of revenues compared to 12.1% in the comparable period in 1996. Although revenue has remained relatively stable comparing the nine month period in 1996 to the comparable period in 1995, actual SG&A expenditures have decreased primarily due to declining sales and marketing expenditures and lower legal costs.

The Company recorded a pre-tax restructuring and other non-recurring benefit of \$7.0 million in the third quarter of 1996, primarily due to the reversal of the \$17.8 million reserve related to the Texas Instruments patent infringement lawsuit. In July 1996, the Federal Circuit Court of Appeals affirmed the decision of the trial court that the Company did not infringe on patents filed by Texas Instruments. As a result of this decision, the Company reversed the \$17.8 million reserve established in March 1995 (See Note 5). The Company announced a restructuring of its San Jose wafer fabrication facility. The Company recorded a pre-tax charge of \$9.1 million principally related to the write-down of certain excess equipment and the transfer of certain other equipment to its Texas and Minnesota production wafer fabrication plants. The Company also recorded a pre-tax credit of \$3.3 million related to the reimbursement of defense costs incurred in conjunction with the securities class-action lawsuit. This credit was more than offset by other restructuring charges related to agreements with certain companies regarding cross-licensing and other matters.

Operating income for the quarter and nine month periods ended September 30, 1996 was \$0.8 million and \$80.5 million, respectively, or 0.1% and 19.4% of revenues, respectively. This was a decrease from the comparable periods in 1995, in which operating income was \$51.1 million and \$104.3 million, respectively, or 31.7% and 24.9% of revenues, respectively. As a result of lower ASPs, without offsetting sales volume increases, and the recording of additional inventory reserves in the third quarter of 1996, operating income decreased significantly for the quarter and nine month periods ended September 30, 1996 compared to the comparable periods in 1995.

Net interest and other income for the quarter ended September 30, 1996 was \$0.2 million compared to a net interest and other expense of \$0.3 million in the comparable period in 1995. In 1995, the Company recorded a \$1.2 million loss

from foreign exchange transactions primarily due to the fluctuation of the yen. Net interest and other income for the nine month period ended September 30, 1996 was \$1.0 million compared to the \$1.1 million recorded in the comparable period in 1995.

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FACTORS AFFECTING FUTURE RESULTS:

The Company believes that its future operating results will continue to be subject to variations based on a wide variety of factors. Such factors include, but are not limited to: general economic conditions, the cyclical nature of the semiconductor industry and the markets addressed by the Company's products such as 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, inventory and valuation exposure, fluctuations in manufacturing yields, price erosion, competitive factors, the timing of new product introductions, product obsolescence, obsolescence of acquired technologies and product designs and the ability to develop and implement new technologies including the ramp of the Company's 0.5 micron process to full commercial production.

The Company began production in its new assembly and test facility in the Philippines in the fourth quarter of 1996. Should the Company encounter problems during the ramp up of production, this could have a material adverse effect on the Company's results of operations as, among other things, expected cost savings may not be realized.

The Company also depends on subcontractors for a portion of the assembly and test manufacturing of its products, which presents risks including the lack of guaranteed production capacity, delay in delivery, susceptibility to disruption in supply, and reduced control over product cost, manufacturing yields and adverse weather conditions. 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. Failure to obtain such new orders could cause the Company to not meet its 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 headquarters and some manufacturing facilities are located near major earthquake faults. 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 material litigation and claims are described in Notes 4 and 5 of the Notes to the 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 resolution of these matters will not have a

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material adverse impact on the Company's financial position or results of operations. However, should the outcome of any of these 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 and 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 cash, cash equivalents and short-term investments totaled \$95.6 million at September 30, 1996, a decrease of \$66.1 million compared to the end of 1995. The decrease in cash, cash equivalents and short-term investments was primarily due to the purchase of capital equipment and the repurchase of its common stock.

During the first nine months of 1996, the Company generated \$100.5 million in cash from operations, compared to \$118.7 million in the comparable period in 1995. A majority of the decrease in cash from operations can be attributed to a \$15.2 million decrease in earnings comparing the first nine months of 1996 to the comparable period in 1995. Cash from operations was more favorably effected by the increase in depreciation and amortization expense recorded in the first nine months of 1996 compared to the comparable period in 1995 due to the increased level of capital expenditures recorded in 1996. Depreciation and amortization expense recorded during the first nine months of 1996 grew to \$70.3 million compared to the \$44.4 million recorded over the same period in 1995. During the first nine months of 1996, the Company generated \$28.0 million in cash from a reduction in accounts receivable. This generation of cash was partially offset by an increase in inventory of \$14.8 million and a decrease in income tax payable over the same time period. The decreases in accounts receivable and income tax payable and the increase in inventory are the result of declining revenues and earnings experienced throughout 1996 caused by current market conditions.

Cash used for investing activities was \$119.0 million for the first nine months of 1996, compared to a cash use of \$164.0 million in the comparable period in 1995. During the first nine months of 1996, the Company purchased \$175.7 million in capital equipment, primarily to increase capacity and increase capability in the Company's fabrication facilities in San Jose, Minnesota and Texas. The Company also increased the level of capital spending during 1996 in order to bring into production its new assembly and test facility in the Philippines. Capital purchases for the remainder of 1996 and for 1997 are projected to be approximately \$26.0 million and \$100.0 million, respectively, as the Company continues to purchase equipment to expand backend manufacturing capacity in the Philippines and purchase equipment for research and development in order to improve the Company's R & D capabilities. Projected capital purchases are less than previous estimates due to the Company's decision in the second quarter of 1996 to delay the construction of Fab V and, due to current economic market conditions, delay capacity expansion in the Company's other fab facilities. Offsetting the purchases of capital equipment was the conversion of short-term investments into cash of \$56.8 million. A majority of the cash was used to purchase capital equipment and to fund the repurchase of the Company's common stock.

Cash generated by financing activities in the first nine months of 1996 was \$9.1 million, compared to \$15.7 million during the comparable period in 1995. In September 1996, the Company borrowed \$49.0 million against its revolving line of credit established in July 1996. The agreement, with certain banks, is for a three-year, unsecured, \$100 million revolving line of credit. The applicable interest rate for usage under this agreement will be a spread over a graduated scale of LIBOR. The agreement contains certain financial and other

restrictive covenants. During the first quarter of 1996, the Company continued its stock repurchase program by purchasing 2.8 million shares of its common stock for approximately \$32.9 million, completing the repurchase program authorized by the Company's Board of Directors in the fourth quarter of 1995. The Company must also maintain a specific level of restricted cash or investments to serve as collateral with respect to certain operating lease agreements entered into by the Company in 1994, 1995 and 1996. The leases were entered with respect to the Company's office and manufacturing facilities in San Jose and Minnesota. The agreements require that the Company maintain compliance with certain financial covenants and require quarterly payments which vary based on the London interbank offering rate (LIBOR). At the end of the respective lease terms, the Company has the option to obtain the building for stipulated values per the agreements or find qualified buyers who will pay the stipulated values. The Company has guaranteed that the banks will receive the stipulated amounts at the end of the respective lease terms. The Company increased its restricted investments by \$22.8 million during the first nine months of 1996 bringing the total to \$62.0 million at the end of the third quarter. During the first nine months of 1995, the Company increased its restricted investments by \$14.1 million. The restricted investments are classified as non-current assets on the balance sheet.

Although the Company believes that existing cash together with cash from operations, supplemented as necessary with borrowing under its revolving credit agreement, will provide sufficient resources to meet present and future working capital requirements and other cash needs for at least the next twelve months, in the event that ASP's continue to decline at rates above normal industry levels and increased demand continues to be insufficient to offset the effects of such declines, the Company may be required to raise additional capital through a debt or equity financing. Although additional financing may be required, there can be no assurance that it would be available to the Company or available at terms the Company deems satisfactory.

PART II - OTHER INFORMATION

ITEM 1. The information required by this item is included in Part I in Note 5 of Notes to the Condensed Consolidated Financial Statements.

ITEM 6. (a) Exhibit - 11.1 "Computation of Net Income Per Common Share and Dilutive Common Share Equivalents"

(b) Exhibit - 27 "Financial Data Schedule"

(c) Reports on Form 8-K - None

CYPRESS SEMICONDUCTOR CORPORATION

EXHIBIT 11.1
 COMPUTATION OF NET INCOME PER COMMON SHARE AND DILUTIVE
 COMMON SHARE EQUIVALENTS
 (In thousands, except per share data)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	Sep. 30, 1996	Oct. 2, 1995	Sep. 30, 1996	Oct. 2, 1995
PRIMARY:				
----- Weighted average number of common shares outstanding	80,400	83,520	80,049	81,201
Common share equivalents:				
Dilutive effect of outstanding stock options	2,628	8,161	3,195	8,286
----- Weighted average number of common shares and dilutive common share equivalents				

outstanding	83,028	91,681	83,244	89,487
	=====	=====	=====	=====
Net income used in per share computation	\$ 583	32,219	\$ 51,724	\$ 66,926
	=====	=====	=====	=====
Net income per common and common equivalent share	\$ 0.01	\$ 0.35	\$ 0.62	\$ 0.75
	=====	=====	=====	=====
FULLY DILUTED:				

Weighted average number of common shares outstanding	N/A	83,520	80,049	81,201
Common share equivalents:				
Dilutive effect of outstanding stock options	N/A	8,161	3,222	8,683
Shares issuable upon conversion of convertible subordinated notes	N/A	7,940	7,940	7,940
	-----	-----	-----	-----
Weighted average number of common shares and dilutive common share equivalents outstanding	N/A	99,621	91,211	97,824
	=====	=====	=====	=====

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CYPRESS SEMICONDUCTOR CORPORATION

EXHIBIT 11.1

COMPUTATION OF NET INCOME PER COMMON SHARE AND DILUTIVE COMMON SHARE EQUIVALENTS (Continued)

(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sep. 30, 1996	Oct. 2, 1995	Sep. 30, 1996	Oct. 2, 1995
	-----	-----	-----	-----
Net income used in per share computation	\$ N/A	\$ 33,122	\$ 54,489	\$ 69,624
	=====	=====	=====	=====
Net income per common and common equivalent share	\$ N/A	\$ 0.33	\$ 0.60	\$ 0.71
	=====	=====	=====	=====

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: November 14, 1996

/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

<ARTICLE> 5
 <LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
 EXTRACTED FROM
 THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER
 AND NINE MONTH
 PERIODS ENDED SEPTEMBER 30, 1996.
 </LEGEND>

<MULTIPLIER> 1,000

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<COMMON>	908	908
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<EPS-DILUTED>	0.00	0.60