CYPRESS AT A GLANCE

Corporate Profile

Cypress Semiconductor Corporation is in its second decade as an international, broad-line manufacturer and supplier of integrated circuits for a range of growth markets. The company supplies its products to leading providers of data communications, telecommunications, personal computer, and military systems worldwide.

Cypress was founded in 1982 and has grown rapidly and profitably. In 1990, citing its successful innovation, execution, and leadership, Electronic Business magazine named Cypress the fastest-growing electronics company in America. The company has received honors for excellence in financial management, including three Bronze and two Silver awards for financial performance from The Wall Street Transcript. Cypress is led by its founder, president, and CEO, T. J. Rodgers, whose aggressive, visionary management style has gained national prominence for the company. Cypress's sales and marketing efforts are directed by Dan McCranie, a 25-year industry veteran.

Today Cypress is an international company with about 3,000 employees and a worldwide sales network. Corporate headquarters are in San Jose, California, and the company maintains a site on the worldwide web at http://www.cypress.com. Cypress enjoys a competitive advantage by continuously improving the cost-efficiency and productivity of its operations, and by implementing cycle-time and inventory-reduction programs. These improvements enable the company to compete in high-volume, cost-sensitive markets, including those for SRAMs and computer timing devices, increasing sales opportunities and driving the company's growth.

Cypress has made rapid strides in other fast-growing markets, entering the high-density programmable logic arena and the data communications market with leading-edge physical-layer products for emerging networking technologies, including ATM (Asynchronous Transfer Mode) and Fibre Channel.

Cypress’s manufacturing sites include:

Fab I in San Jose, California, the company's first fab and the focal point for research and development;
Fab II in Round Rock, Texas, producer of Cypress’s non-SRAM products, founded in 1986;
Fab IV in Bloomington, Minnesota is the company's first 8-inch, 0.25-micron wafer fab; producer of all SRAMs for Cypress

Cypress Semiconductor Philippines Inc. (CSPI), a state-of-the-art assembly and test facility, opened in the third quarter of 1996, complements an existing assembly and test facility in Indonesia. Cypress also has expanded its global design capacity, adding to its original Silicon Valley design center facilities in Mississippi, Colorado, Washington, Oregon, Minnesota, Texas, Kentucky, New Hampshire, England, India, and Ireland. Our Philippines assembly plant also has a design facility. With top design talent increasingly difficult to recruit, the new international base casts a wider net, reaching out to rapidly growing technology centers in Europe, Asia, and the Pacific Rim.

The Early Years
Cypress was incorporated in California in 1982 and went public in May 1986. Cypress's stock is listed on the New York Stock Exchange, trading under the symbol "CY."

Cypress's 1983 business plan outlined a strategy that propelled the company's fast growth over its first 10 years. It stated, "The basic premise of Cypress is that a multi-disciplinary group of founders can quickly put into production a state-of-the-art, high-speed CMOS [Complementary Metal Oxide Semiconductor] process. This technology will be applied to a targeted group of high-

speed, high-average-selling-price products that will be outperformed significantly by Cypress's new CMOS pin-compatible circuits in every measure of IC performance: speed, power consumption, yield (cost), quality, and reliability."

Cypress consistently has outperformed the competition. The company attained profitability in 1985, just seven quarters of production after the introduction of its initial, flagship product, a 1-Kbit, 15-nanosecond SRAM. Cypress went public in 1986, attracting $77.6 million, at that time one of the largest initial public offerings. By year-end 1987, Cypress had recovered its start-up operating costs and showed a positive cash balance. The following year, Cypress topped the $100 million mark in revenues, eclipsing $200 million in 1990, $400 million in 1994, and currently approaching $700 million.

Cypress achieves strong results through technological innovation, solid management, and execution. From the start, Cypress's groundbreaking CMOS technology outperformed competitive products that used far more power. Never satisfied, the company has become an industry leader through the introduction of newer and faster processing technologies. In 1987, Cypress implemented one of the first 0.8-micron CMOS process technologies, continuing its migration with a 0.65-micron CMOS process in 1992. Cypress maintains its track record of innovation and leadership with the production of its low-power, high-performance 0.25-micron RAM5(TM) process technology. Cypress will soon introduce a 0.21-micron process, and currently produces more than 70% of its products at 0.35-micron or below.

Cypress achieved excellence in its first decade. The company's retained earnings, net income from past periods that has been retained by the business, ranks in the top U.S. semiconductor companies. Cypress has fostered a strong, loyal customer base, built through years of delivering high-quality products. The company maintains strong ties with the academic community, donating equipment, software, and technical expertise to target schools under its University Program. Cypress also has built one of the industry's strongest research and development organizations, positioning it to maintain technology leadership and to respond quickly to changing market conditions.

Cypress 2000
Over the past decade, the semiconductor market has been marked by great change and volatility. Electronics are an integral part of almost every facet of the economy, and the proliferation of computer and communications equipment has prompted phenomenal industry growth, driving down prices and sharpening competition.

In response, Cypress has adjusted its original strategy of focusing almost exclusively on high-end, niche markets. Now the company's strategy is to compete in higher-volume markets, maintaining a competitive cost structure and quickly introducing market-leading products. Cypress has taken a number of steps to support this new strategy. Product assembly and testing was moved offshore, resulting in cost savings of more than $100 million. Cypress has significantly reduced the number of product/package types and process technologies used in production, resulting in more cost-effective manufacturing. Other changes include a cycle-time reduction program and a renewed focus on improving manufacturing yields.

Competitive manufacturing costs allow Cypress to adopt a "no excuses" strategy for competition in high-volume markets. Implicit in this strategy is the desire to compete profitably in commodity products at any volume, at any competitive price, anywhere in the world. Cypress also will use the process development and yield improvements gained from doing business in high-volume areas to maximize its advantage in other product lines.

Cypress has shifted to a market-oriented approach in recent years, serving high-growth, profitable end-user markets, such as data communications and computation, with focused product lines. For example, the acquisition of IC Designs in 1993 provided Cypress with more products developed specifically for the personal computer market. In the fast-growing data

communications market, Cypress has designed products specifically for Fibre Channel, ATM, and the new SMPTE video standards.

Cypress has the right products in the right markets, with solid positioning in three of the largest semiconductor markets: personal computers, networking, and communications. It is an acknowledged leader in an industry that has shown relentless growth**.** Many industry estimates predict the semiconductor industry to grow significantly over the next few years.

Cypress Products
Cypress has built a reputation throughout the industry and with its customers for providing high performance, high-quality products in every market it enters. It continues to bring to market new, leading-edge products, based on Cypress's CMOS, BiCMOS, and Flash process technologies. Cypress is now shipping 0.25-micron CMOS products, and has working silicon at 0.21 micron. The company will introduce 0.25 BiCMOS technology in 1999. These process technologies allow Cypress to offer state-of-the-art products that provide the optimal balance of speed and power use for any system.

Cypress offers a range of packaging options for its products, giving customers a variety of choices in pinout configurations and temperature grades. In addition, Cypress products are designed to meet or exceed the full temperature and functional requirements of military products. This means that Cypress builds military products as a matter of course, rather than having to redesign to meet rigorous military specifications. The company received full military Qualified Manufacturer List (QML) certification in 1996.

Product Lines:

Across all its product lines, Cypress offers products that are mainstays in a broad range of industries and markets. They are used in personal computers, telecommunications; data communications; networking products; military applications; and test and measurement equipment.

Memory Products
Cypress provides a wide range of RAM and RAM-based memory products to leading companies worldwide. It also offers high-speed Programmable Read-Only Memories (PROMs).

Static RAMs (SRAMs) comprise the company's largest product segment, and Cypress is a market-leading supplier of such devices. The company's SRAMs are used in high-performance telecommunications systems, networking products, mobile products, industrial systems, instrumentation devices, and Cypress's low production costs allow the company to compete effectively in high-volume markets for SRAMs, including data communications and telecommunications.

Cypress's patented six-transistor cell architecture produces the industry's best low-voltage products. MoBL™ (More Battery Life) SRAMs are ideal for mobile applications such as cellular phones that require extended battery life. Cypress offers the No Bus Latency (NoBL™) SRAMs, which cut latency in networking applications in half, and has recently announced the new Quad Date Rate (QDR™) SRAMs to address new, high-performance networking systems with data rates above 200 MHz.

Multichip modules are semiconductor chips mounted on tiny computer circuit boards. They rely on innovative surface-mount technology, minimizing necessary board space. Multichip module technology allows engineers to design systems using integrated circuits a generation ahead of current production technology, simply by plugging a new chip into an existing multichip-module socket. This allows companies to bring products to market more quickly, offering them a competitive advantage. Cypress supplies modules for many of the leading manufacturers worldwide.

Non-volatile memory stores information even when power is turned off. It is used to store program code for a variety of applications, including computers, peripherals, and communication

devices. Cypress is a long-term supplier of high-speed, non-volatile memory and offers a wide range of CMOS PROMs and EPROMs (erasable PROMs). Like PLDs, they are programmable -- some of them are reprogrammable -- thereby expediting the design process. Cypress owns a large share of the high-speed CMOS PROM market.

Programmable Products

With increasing pressure on systems designers to bring products to market more quickly, the demand for programmable logic devices (PLDs) is surging, particularly in the communications and consumer-electronics businesses. PLDs are logic-control devices that can be easily programmed by engineers in the field and later erased and reprogrammed. This allows designers to make key systems changes late in the development cycle.

Cypress's Complex PLDs (CPLDs) address the high-density programmable logic market. The Ultra37000™ and FLASH370i™ families offer the industry's highest performance and the best solution for In-System Reprogrammability (ISR™). By providing ample routing resources and a fixed timing model, Cypress CPLDs assure designers that logic changes even very late in the development cycle won't force designers to re-work their entire circuit board. Cypress has also recently announced the Delta39K™ family of CPLDs that provides the benefits of FPGAs (very high density, low power, low cost, etc.) in the easy-to-use, high-performance CPLD architecture. Delta39K devices will scale to 350,000 gates, many times larger than any other CPLD.

Cypress's CPLDs are supported by *Warp*™ software design tool, the industry's most advanced tool. Cypress pioneered the use of VHDL for PLD programming, and is the number one supplier of VHDL-based development tools for programmable logic. A textbook by Cypress applications engineer Kevin Skahill, "VHDL for Programmable Logic," is gaining acceptance in universities worldwide. Cypress also offers Warp in Verilog format, providing support for the industry's two leading HDLs.

Cypress is a leading provider of small PLDs, with a wide range of offerings. The company is committed to competing in all segments of the PLD market, including small, industry-standard devices such as the 16V8, 20V8, and 22V10. Similarly, Cypress's selection of tools and software for PLD programming is among the broadest in the business.

Data Communications

Cypress's presence in the fast-growing datacom business underscores its new market-driven orientation. The company supports high-speed data communications with a range of datacom products, from the physical-connection layer to system-level solutions.

Cypress's data communications devices include the well-received HOTLink(TM) high-speed, point-to-point serial communications chips. HOTLink, along with a growing family of devices aimed at the ATM/SONET market, address the fast-growing communications markets for Fibre Channel and ATM. Cypress also offers a new chipset, based on HOTLink technology, that addresses the high-end video editing market. Other Data Communications Division products are the CY7B991/992 and CY7B9910/9920 RoboClock(TM) devices, clock buffers that control complex timing signals for a broad range of systems.

Cypress Data Communications Division products include a variety of specialty memory products, including first-in/first-out (FIFO) memories, used to pass data between systems operating at different frequencies, and dual-port memories, used to distribute data to two different systems simultaneously. Cypress has moved aggressively in the specialty memory area, offering wider, deeper and faster dual-ports and FIFOs.

Interface Products

Focused on the high-volume, high-growth Universal Serial Bus (USB) market, Interface Products is another of Cypress's market-oriented divisions. The USB standard allows up to 127 PC peripherals to communicate with the host system via a single interface, eliminating cable clutter and offering easy connection of peripherals devices. Cypress has staked a leadership position in this market by offering highly flexible, cost-optimized microcontroller solutions for a variety of

peripherals. Cypress recently acquired Anchor Chips, Inc. of San Diego, California. Anchor Chips products address high-speed, full-featured applications, giving Cypress the broadest USB line in the industry.

Timing Technology

Cypress's clock oscillators are frequency synthesizers that control the intricate timing of all aspects of an electronic system. They replace all of the metal-can oscillators used in the system. Cypress is the market leader in timing technology, offering clock generators for PCs, a family of programmable clock generators that provide an almost universal solution for any system requiring multiple clocks, zero delay buffers, and the PREMIS™ family of EMI-reduction devices. Cypress recently acquired IC WORKS of San Jose, California to augment its timing offerings.

New Products

Cypress recognizes the importance of bringing new, leading-edge products to market on a regular basis. The company's new product program tracks the most important new products through the production pipeline. The development of each product is supported by a cross-functional team of engineering, marketing, and production specialists, with oversight and support provided by a project "godfather," usually a vice president but in some cases CEO T. J. Rodgers. Through this program, Cypress has introduced numerous leading-edge products. To underscore the importance of new products at Cypress, the company's employee bonus plan is based on new product revenue.

Cypress Quality

The cornerstone of Cypress's success is the very high quality of its products, services, and people. Cypress has been honored for product and service excellence by companies including AT&T, Unisys, Northern Telecom, and Raytheon. Cypress has received the coveted "STACK" Level II certification, awarded to companies whose products meet tough standards for quality. The company also has received ISO 9000 registration, awarded to companies with exacting standards of quality management, production, and inspections. In 1996, the Defense Electronics Supply Center (DESC) awarded QML certification to Cypress's military offerings.

Corporate Culture

Cypress's corporate structure reinforces quality production by maintaining only the highest level of hiring practices, performance benchmarks, and individual employee standards. The result is a company that consistently delivers quality products, services, and financial results.

Cypress is well known for its effective, highly automated management systems, which are used companywide in areas such as manufacturing, purchasing, order-entry, and weekly goal tracking for all employees. Solid corporate leadership has been another important factor in the company's success. T. J. Rodgers, president and CEO, who founded the company in 1982, received his Ph.D. in electrical engineering from Stanford University in 1975. Citing Rodgers's technical expertise and progressive management, The Wall Street Journal characterized Cypress as "a quintessential entrepreneurial company." Cypress has received numerous awards for excellence in financial management, including a Kachina Award from the market-research company, In-Stat Inc., and an Encore Award from the Stanford University Business School as Entrepreneurial Company of the Year for 1988.

Dan McCranie, executive vice president of sales and marketing, provides exceptional leadership, drawing on more than seven years of experience as CEO for a major semiconductor manufacturer. Chief Financial Officer Manny Hernandez brings strong financial leadership, with nearly 20 years of experience in a broad range of financial positions in the semiconductor industry.

Cypress's culture is a product of the company's sophisticated technology and manufacturing. Operating its own wafer manufacturing plants, Cypress offers its customers not only reliable,

high-quality semiconductors, but also the benefits of an innovative, cost-efficient, quality-driven culture.

Cypress goes to great lengths to hire and to keep the best people available. All employees are granted stock options and thereby participate in the success of the company. Also, each employee is eligible for quarterly profit-sharing bonuses, based on new product revenue. In this way, Cypress recognizes the contributions of all employees.

Cypress trusts its employees to make important decisions with a minimum of bureaucracy. In fact, each employee bears responsibility for achieving goals known as "critical success factors," which are designed to advance the company's strategic plan. Cypress's automated goals system helps employees to maintain focus, pushing decision-making down in the ranks. Such empowerment helps Cypress to achieve outstanding revenue-per-employee figures.

Cypress is a company that encourages individuals to do what it takes to get the job done, provides them with the proper tools to achieve these objectives, and rewards them for their efforts. These individuals have made, and continue to make, Cypress successful.

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