



CYPRESS RESTRUCTURES IN Q198

San Jose, California, April 14, 1998.....Cypress Semiconductor Corporation (NYSE: CY) today reported that revenue for the first quarter ended March 30, 1998, was \$116.9 million, down 7.2% from the year-ago quarter's revenue of \$126.0 million and down 12.8% from last quarter's revenue of \$134.1 million.

Basic and Diluted EPS (loss per share) were \$1.11 including restructuring charges of 65 cents. Loss from operations was 46 cents. Included in the operating loss were charges of 27 cents for write-off of certain investments, inventory reserves, and other charges. Also impacting the quarter was a reduction in effective tax rate from 31% to 9.6%.

Q198 Restructure

Following the pre-announcement issued March 9, 1998, the company recorded pre-tax restructuring and other charges of \$92.4 million related primarily to three major initiatives to increase efficiency. First, the shutdown of the company's 6-inch, 0.6-micron wafer fabrication plant, Fab 3, in Bloomington, Minnesota, and the move of all its production to Fab 4, the company's state-of-the-art, 8-inch, 0.35-micron fab, also in Minnesota. Second, the downsizing of the company's 6-inch Fab 2 facility in Round Rock, Texas, to eliminate SRAM production and also reduce manufacturing costs significantly on high-margin non-SRAM products. Third, the shutdown of the company's test plant in Thailand and the consolidation of the majority of test manufacturing operations in the company's new, fully automated Manila plant. This restructuring will involve the elimination of approximately 100 positions in the company, mostly in wafer fabrication facilities. These three initiatives are expected to significantly reduce cost and improve efficiency.

Minnesota Fab Restructuring

Cypress has been running Fab 3 at full capacity while ramping Fab 4 with newly purchased equipment and external hiring. The company will now use most of the equipment from Fab 3 - after upgrading them from 6-inch to 8-inch - to build out Fab 4, reducing capital expenditures in 1998. The company will transfer Fab 3 employees to Fab 4, where they can produce 8-inch rather than 6-inch wafers, instead of hiring additional employees. The equipment in Fab 3 that cannot be upgraded to 8-inch will be sold. The Fab 3 clean room will be refurbished in the future to become a 0.25-micron expansion of Fab 4. The pre-tax charges associated with this initiative were \$24.8 million.

Texas Fab Restructuring

Cypress manufactures wafers in Fab 2 for its Datacom, Programmable Logic, and Computer Products divisions, all of which have significantly higher margins than SRAMs. However, these three divisions use only 60% of the fab's capacity. The company ramped Fab 2 to 100% capacity with static RAM memory chips to meet SRAM demand. Given the planned efficiency improvement and increased output from the company's revamped Minnesota plant by mid-year, the company will stop making SRAMs in Texas. This will realize several cost-reduction benefits, including reduction in payroll; avoidance of capital expenditure for advanced SRAM technologies; the transfer and upgrade of some 6-inch equipment to build out Minnesota Fab 4, further avoiding capital expenditure; and the elimination of depreciation through the disposal of excess equipment. The Texas fab will focus on making high-margin, non-SRAM products with the lowest 0.6-micron wafer cost possible. The pre-tax charges associated with this initiative were \$21.8 million.

Test Plant Restructuring

Cypress currently tests its products primarily at three Asian sites: a semiautomated plant in Thailand, a low-cost plant in Indonesia, and the company's newest, fully-automated plant in Manila, the Philippines. The company will consolidate the Thailand-based test manufacturing operation into the Manila plant, replacing approximately 570 subcontract workers in Thailand with only about 250 new Cypress employees in the more-efficient Manila plant. This move will provide significant cost savings, better logistics, and reduced cycle times for better customer responsiveness. The pre-tax charges associated with this initiative were \$5.1 million.

San Jose R&D Fab 1 Restructuring

Cypress plans to upgrade its R&D Wafer Fab 1 in San Jose from 6-inch to 8-inch to maintain compatibility with its primary wafer production center in Minnesota Fab 4 and, likely in the future, Texas Fab 5. Pre-tax charges for this initiative, which include facilities write down and some 6-inch equipment disposal, were \$6.2 million.

Q198 Operating Results

Cypress's sales in the first quarter were 12.8% lower than last quarter's. They were lower than expected primarily due to soft turns bookings in March, particularly in SRAMs and clocks. Average selling prices were generally in line with normal quarterly declines, but unit demand was soft in the domestic region, particularly in the distribution channel.

The pre-tax loss including restructuring charges was \$111.9 million. Pre-tax restructuring charges amounted to \$65.1 million. Pre-tax loss from operations was \$46.8 million. Included in the operating loss were \$27.3 million of charges for investment write-off, inventory and other charges relating to the ongoing industry, oversupply and continued inventory corrections by end-user customers.

Cypress CEO T.J. Rodgers concluded, "We're very disappointed with the first quarter results, though they seem to mirror what has been happening generally in the industry. As of the writing of this report, our second quarter revenue is ahead of the same day in the first quarter, and we are expecting modest sequential growth. Due to that growth and the restructuring, our loss should decrease significantly in the second quarter, and the company should be profitable in the third quarter barring any worsening of the semiconductor market. However, the tough decisions we have taken resizes the company to better match current business conditions and

improves our manufacturing efficiency. We will be a leaner, more cost-effective company upon completion of the initiatives outlined in this report. In the long-run, that should benefit our stockholders and employees.”

Cypress Semiconductor Corporation is an international supplier of high-performance integrated circuits with worldwide headquarters in San Jose, California. The company provides a broad range of products for leading computer, networking, and telecommunications companies worldwide. The company’s product line includes static RAMs, high-speed PROMs, and specialty memories; programmable logic devices (PLDs); data communications products; and timing devices and USB microcontrollers. Cypress shares are listed on the New York Stock Exchange under the symbol CY. The company has a site on the worldwide web at <http://www.cypress.com>.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding benefits from restructuring initiatives, outlook for the rest of 1998 and Cypress’s business that are not historical facts are “forward-looking statements” involving risks and uncertainties, including, but not limited to, market-acceptance risks, the effect of economic conditions and shifts in supply and demand, the impact of competitive products and pricing, product development, commercialization and technological difficulties, the ability to execute on the restructuring initiatives and capacity and supply constraints. Please refer to the MD&A (Management Discussion and Analysis of Financial Condition and Results of Operations) for a discussion of such risks in the most recent Cypress annual report on Form 10-K, the quarterly report on Form 10-Q and the convertible debenture offering memorandum.

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands, except per share data and amounts)

	(Unaudited) Mar 30, 1998	Dec 29, 1997
ASSETS		
Current assets:		
Cash and short-term investments	\$ 198,141	\$ 201,561
Accounts receivable	59,140	67,854
Inventories	64,983	76,925
Other current assets	63,153	51,740
Total current assets	385,417	398,080
Property and equipment, net	396,177	442,661
Other assets	98,992	115,529
Total assets	\$ 880,586	\$ 956,270
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 65,220	\$ 60,857
Accrued liabilities	38,026	21,472
Deferred income on sales to distributors	10,105	9,636
Income taxes payable	---	1,088
Total current liabilities	113,351	93,053
Convertible subordinated note	175,000	175,000
Other long-term debt	8,350	8,671
Deferred income taxes	36,070	36,070
Total liabilities	332,771	312,794
Commitments and contingencies		
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; 98,147,000 issued; 90,919,000 and 90,684,000 outstanding	315,094	309,566
Retained earnings	232,721	333,910
Total stockholders' equity	547,815	643,476
Total liabilities and stockholders' equity	\$ 880,586	\$ 956,270

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	THREE MONTHS ENDED		
	(Unaudited)		
	<u>Mar 30,</u> <u>1998</u>	<u>Mar 31,</u> <u>1997</u>	<u>Dec 29,</u> <u>1997</u>
Revenues	\$ 116,953	\$ 125,999	\$ 134,134
Costs and expenses:			
Costs of revenues	114,382	82,349	94,538
Research and development	24,488	21,023	23,833
Selling, general and administrative	22,196	17,564	19,606
Restructuring costs	65,099	- - -	- - -
Total operating costs	<u>226,165</u>	<u>120,936</u>	<u>137,977</u>
Operating Income (loss)	(109,212)	5,063	(3,843)
Interest expense	(2,842)	(2,316)	(3,154)
Interest income and other	<u>102</u>	<u>4,826</u>	<u>3,095</u>
Income (loss) before income tax	<u>(111,952)</u>	<u>7,573</u>	<u>(3,902)</u>
(Provision) benefit for income tax	<u>10,763</u>	<u>(2,613)</u>	<u>4,010</u>
Net income (loss)	<u>\$ (101,189)</u>	<u>\$ 4,960</u>	<u>\$ 108</u>
Net income (loss) per share:			
Basic	\$ (1.11)	\$ 0.06	\$ 0.00
Diluted	(1.11)	0.06	0.00
Weighted average shares of common stock and common stock equivalents:			
Basic	91,068	81,838	90,890
Diluted	91,068	94,489	93,923