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ABOUT THIS REPORT

Cypress employees produced this report to provide the maximum amount of useful information on the Company in an accessible form, at a minimum of "gloss" and cost. This report is written and produced by Cypress employees, whose time and effort we appreciate.

CORPORATE PROFILE

Cypress Semiconductor Corporation, now in its second decade, provides a broad range of high-performance integrated circuits to the leading computer, networking, and telecommunications companies worldwide. The Company's product line includes static RAM and EPROM memories, programmable logic devices (PLDs), field programmable gate arrays (FPGAs), data communications products, and personal computer chipsets and timing devices.

Cypress products are marketed worldwide via direct sales offices in North America, Europe, and Asia, complemented by a network of distributors and sales representative firms. In 1995, the Company's export sales grew to a record 34% of total revenues.

Cypress manufactures its products at four wafer manufacturing plants in California, Minnesota, and Texas. The Company has broken ground on a dedicated assembly and test facility in the Philippines, which is scheduled to begin production later this year, as well as a new 8-inch wafer manufacturing plant, Fab V in Texas, which is scheduled to come online next year.

Cypress was founded in 1982 and is listed on the New York Stock Exchange under the symbol "CY." Corporate headquarters are located in San Jose, California.

THE FOLLOWING LETTER to shareholders, the sections entitled "Market Perspective" and "Management's Discussion and Analysis" may contain forward-looking statements about the prospects for Cypress as well as the semiconductor industry more generally including without limitation statements about revenue goals, growth rate goals, market share goals, market size and growth projections, new product introductions, planned manufacturing capacity, and efficiency and cost goals. Actual results could differ materially from those described in the forward-looking statements as a result of various factors including, but not limited to, the factors identified in the Letter to Shareholders, the Market Perspective" section, and the "Management's Discussion and Analysis" section as well as the following: (i) increased competition which could result in lost sales or price erosion; (ii) changes in product demand by the electronics and semiconductor industries, which are noted for rapidly changing needs, coupled with an inability by Cypress to generate product enhancements or new product introductions which will keep pace with or meet those rapidly changing needs; (iii) failure by Cypress to develop or introduce successfully new products in areas of expected new or increased demand, or development and introduction of superior new products serving those areas by others; (iv) failure of expected growth in demand for, or areas of expected new demand for, semiconductor products to materialize; (v) failure to successfully bring on line and utilize additional manufacturing capacity; (vi) inability to develop and/or adopt more advanced manufacturing technology; (vii) inability of the Company's patents or other proprietary rights to ensure adequate protection against encroachment on the Company's technology by competitors, and (viii) changes in the market for semiconductor stocks.