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**For Immediate Release**

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**CYPRESS TO ACQUIRE OPTICAL COMPONENTS MAKER SILICON LIGHT MACHINES  
IN MOVE TO ACCELERATE PENETRATION OF OPTICAL COMMUNICATIONS MARKETS**

**Press/Analyst Teleconference, Webcasting Option, Slated For 8:30 a.m. PDT**

SAN JOSE, California...July 25, 2000 -- Cypress Semiconductor Corporation (NYSE:CY) today announced the signing of a definitive agreement to acquire Silicon Light Machines, a privately held supplier of microelectromechanical systems (MEMS) technology applicable to fiber-optic networks and other applications.

The acquisition, which follows an investment by Cypress last year in Silicon Light Machines and culminates a two-year manufacturing relationship, complements Cypress's product and intellectual property portfolio targeted at the optical networking business. The acquisition also will accelerate Cypress's penetration of the market for pure optical and optoelectronic networking components and align its product development roadmap with those of its strategic networking customers.

The agreement, which will be accounted for on a pooling-of-interests basis, provides for Cypress to issue 3.7 million shares of stock in exchange for all outstanding stock and options of SLM. Under the agreement, which is subject to shareholder and regulatory approval and other conditions customary to closing, SLM will become a wholly owned subsidiary of Cypress. Cypress has manufactured SLM optical components since 1998 and has been increasingly active in SLM product development following a \$2 million investment in the company last year.

"Optical MEMS represents a compelling, cost-effective approach for a wide variety of fiber-optic networking solutions," said T.J. Rodgers, Cypress president and CEO. "We've been making display products for Silicon Light Machines for the last two years. These are products that work, and products that will provide us with a revenue stream. They are cost-effective and easy to manufacture. In addition, SLM technology will enable the development of new products that are highly complementary to our existing optical networking product roadmap.

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"The Silicon Light Machines acquisition brings to Cypress a team of experienced MEMS-based product design engineers with a track record of innovation," said Rodgers, who has been a member of the SLM board of directors since April 1999. "This team will leverage Cypress's process and manufacturing excellence and high-volume production capabilities to create a generation of highly integrated pure optical and optoelectronic hybrid components."

Earlier this month, Silicon Light Machines announced that it licensed its MEMS-based Grating Light Valve™ (GLV™) technology to Sony Corporation for state-of-the-art display applications, marking a significant endorsement for SLM and a design win for Cypress. The SLM acquisition will not be dilutive, Cypress officials said, because of the impact of licensing revenues from Sony and the potential for other product revenues moving forward.

SLM has developed several fundamental technologies—nonlinear wavelength conversion, diffraction gratings used to discriminate wavelengths, and nanosecond light switching speeds—that are directly applicable to a variety of optical networking component applications, such as tunable filters, variable optical attenuators, modulators, optical add/drop multiplexers, and Dense Wavelength Division Multiplexing (DWDM) multiplexers/demultiplexers.

*Cypress will host a press and analyst conference call, with a webcasting option, this morning, Tuesday, July 25, 2000, at 8:30 a.m. PDT, 11:30 a.m. EDT. The conference call phone number is 712-257-3353, accessible via the password "Cypress." Parties interested in the webcast are encouraged to enroll via the Cypress website's investor page at [www.cypress.com/investor](http://www.cypress.com/investor). The investor page is one click away from the Cypress home page.*

*A sidebar to this press release by Cypress President T.J. Rodgers, "Why Cypress Acquired Silicon Light Machines," is being dispatched over the wires simultaneously with this press release and can be accessed via the Cypress home page at [www.cypress.com](http://www.cypress.com).*

### **Expanding Communications Focus**

Cypress ships approximately two-thirds of its products to communications customers. Its top six communications customers are Motorola, Nortel Networks, Lucent Technologies, Cisco Systems, Alcatel and 3Com. The Silicon Light Machines acquisition is the latest in a series of moves by Cypress to provide comprehensive solutions for next-generation WAN applications, including high-speed switches and routers, and storage and backplane solutions.

Over the last several years, Cypress has steadily built a strong position in the optical communications and components markets, initially offering clock and data recovery transceivers for local-area networks (LANs) and WANs and later expanding to integrate framing capabilities with its CDR technology. Cypress will sample its most highly integrated physical layer device for the OC-48 optical market this quarter and will push aggressively to design end-to-end solutions for ever-higher-performance.

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"The Silicon Light Machines deal will enable Cypress to tap into one of the fastest-growing, highest-margin segments of the communications business," said Dan McCranie, Cypress's executive vice president of mergers and acquisitions and new business development. "Increasing our penetration of the optical components market is something our strategic networking customers have encouraged us to pursue."

According to projections by South San Francisco-based optical industry analyst firm RHK Inc., the optical transport systems market, including chips for SONET, SDH, Wavelength Division Multiplexing (WDM) and digital cross-connect systems, is expected to grow from \$43.8 billion in 2000 to \$89.3 billion in 2003. The optical components market is estimated to grow from \$9.3 billion in 2000 to \$22 billion in 2003.

### **SLM Technology Approach**

MEMS technology involves combining semiconductor and micromachining processes to produce tiny moving devices on a silicon substrate.

"Our proprietary MEMS process--which uses a direct subset of Cypress's high-quality standard CMOS process--supports flexible, low-cost, high-volume production and offers an ideal manufacturing solution for the emerging optical networking market," said Dave Corbin, Silicon Light Machines's president and CEO. "As the transition of networking backbones from electrical to optical signal transmission accelerates, our combined organization will be uniquely positioned to capitalize on that shift," Corbin said.

Silicon Light Machines has achieved significant success in the display and print markets with optical MEMS components manufactured by Cypress, including spatial light modulators for high-performance display systems and optical head components for industrial printing equipment. Most MEMS approaches have been developed in relatively low-volume fabs that require specialized equipment and processing that is incompatible with high-volume CMOS product lines. Silicon Light Machines has developed a more practical approach. The company's GLV technology, a type of MEMS, is extremely fab-friendly because it uses a direct subset of the standard CMOS process. In fact, GLV devices are being built on the same production line as Cypress's datacom chips.

This standard processing compatibility, combined with a unique gas-phase etch/release that enables MEMS structures and standard logic to be integrated into a single piece of silicon, provides an attractive and practical solution for supplying the optical networking industry's volume needs. Silicon Light Machines's GLV technology uses tiny moving ribbons to offer switching speeds that are orders of magnitude higher than other MEMS approaches, which use tilting mirrors. In addition, the grating structure of GLV devices can be used to discriminate between wavelengths--an important feature for DWDM optical communications systems.

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## **About Cypress**

Cypress Semiconductor provides high-performance integrated circuit solutions for a range of high-growth, high-margin markets, including networking, telecommunications, computation, consumer products, and industrial-control. With a focus on emerging communications applications, Cypress's product lines include networking-optimized and micropower static RAMs; high-bandwidth multiport and FIFO memories; high-density programmable logic devices; timing technology for PCs and other digital systems; and controllers for Universal Serial Bus (USB). Cypress is No. 1 in the USB and clock chip markets.

Approximately two-thirds of Cypress's sales come from fast-growing communications markets and dynamic companies such as Alcatel, Cisco, Ericsson, Lucent, Motorola, Nortel Networks, and 3Com. Cypress's ability to mix and match its broad portfolio of intellectual property enables targeted, integrated solutions for high-speed systems that feed bandwidth-hungry Internet applications. Cypress aims to become the preferred silicon supplier for Internet switching systems and for every Internet data stream to pass through at least one Cypress IC.

Cypress employs more than 3,900 people worldwide with international headquarters in San Jose, California. Its shares are listed on the New York Stock Exchange under the symbol CY. More information about Cypress is accessible electronically on the company's worldwide web site at <http://www.cypress.com> or by CD-ROM (call 1-800-858-1810). An electronic investor forum, and other investor information, is located at <http://www.cypress.com/investor/index.html>.

## **About Silicon Light Machines**

Founded in 1994, Silicon Light Machines is a privately held company backed by the Mayfield Fund, Institutional Venture Partners, Evans & Sutherland Computer Corporation and individual investors. Silicon Light Machines' Grating Light Valve (GLV) technology is a means for creating a high-performance spatial light modulator on the surface of a silicon chip. The company is located at 385 Moffett Park Dr., Suite 115, Sunnyvale, CA 94089-1208; Telephone 408-541-1990; Fax 408-541-1244. For more information about Silicon Light Machines, visit the company's web address at [www.siliconlight.com](http://www.siliconlight.com).

## **Safe Harbor Provisions**

The above news release contains forward-looking statements regarding the acquisition of Silicon Light Machines, and the impact of this acquisition on Cypress's operations. Cypress's actual results may vary materially from the results discussed in these forward-looking statements. Factors that may cause such a difference include: those risks surrounding the timely development, production, and continued market acceptance of the combined company's products; Cypress's ability to successfully integrate the operations of the acquired companies; the ability of the combined company to compete in the highly competitive and rapidly changing marketplace; and other risks detailed from time to time in Cypress's filings with the Securities and Exchange Commission

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*Silicon Light Machines, Grating Light Valve and GLV are trademarks of Silicon Light Machines.*