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CYPRESS REVISES ESTIMATES FOR FIRST QUARTER 2001

SAN JOSE, California... March 5, 2001 – Cypress Semiconductor Corporation today announced that revenue and earnings for the first quarter of 2001 will be lower than previously estimated. Earlier in the quarter, Cypress estimated a sequential revenue decline in the 4% to 9% range. The company now estimates a decline of 15% due to the continued softening of business conditions. In addition, the company will adopt changes to its business model that will result in an incremental one-time revenue decline of approximately 9%, for a total sequential, quarter-on-quarter decline of 24%.

Cypress CEO T.J. Rodgers said, "Business conditions have not improved in the market segments that we serve. Average selling prices are reasonable but our unit volume has dropped as our customers burn up their excess inventories. Cypress experienced cancellations and push-outs in January, but we were not alarmed because we anticipated them. We assumed that February and March would revert back to normal bookings but we saw no material improvement in the trends. Consequently, we believe it is prudent to forecast at this time that the first quarter could be down as much as 15% relative to last quarter's \$370 million revenue, but 19% up from the year-ago quarter revenue of \$264 million."

Rodgers continued, "During the quarter, we decided to adopt two changes to our business model. First, we agreed to accommodate the request of a large strategic customer to convert a certain high-volume program to a consignment inventory program; that is, a program in which Cypress will continue to own inventory at the customer's designated warehouse until usage occurs. To change over, Cypress will reverse revenue of \$9 million for the un-used inventory that is at the customer's warehouse at the end of the quarter."

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Rodgers continued, "The second change relates to our European and Asian distribution operations. Cypress has two distribution sales models, one conservative and one ultra-conservative. In the US, we do not recognize sales to these global distributors until they sell to their end customers. That conservative model prevents so-called channel stuffing. We also allow these distributors certain stock rotation privileges in the US for a small fraction of products that are not moving for them. For their non-US operations however, we have been more stringent. We have demanded a 'you buy it, you own it' policy. The net result is that these distributors order from us only what they already have orders for or know they can sell quickly in their non-US operations. This practice limits our distribution business in Europe and Asia. To sell more, our global distributors need to be changed over to the US method – end sales accounting. That change to improve our European and Asian competitiveness means we must reverse revenue equivalent to the current inventory of our global distributors in their Europe and Asia locations, a \$25 million one-time revenue reduction.

Rodgers continued, "The distribution inventory covered by this change has been well managed, with inventory turns of 4 times per year and relatively flat inventory levels to June of last year. We believe that aligning all of our global distribution operations with our US policies will position Cypress better in the regions these distributors serve, allowing them to carry optimum inventory profiles and to change their role from stocking representatives to true distributors. We expect to benefit from this change in the current robust European markets and over-all when the current business cycle turns. The consignment program and change in distribution model for our global distributors will incrementally reduce the first quarter revenue one-time by about 9%.

Rodgers continued, "In addition, we have begun to take prudent actions to respond to this current downturn. We have slowed the growth in capital expenditure and spending in general. We have announced a deferral in merit-based salary increases. We will however take advantage of this good hiring market and continue to hire into critical technical positions to accelerate our record-setting pace of new product development. We will also continue to invest in organizations and systems that are critical to the infrastructure of a \$1 billion company. We expect to emerge from this downturn as a stronger, more competitive company. We also expect to endure this downturn without losses."

Rodgers concluded, "We believe that Cypress is in a very much better position than it was in the last downturn, primarily due to its focus in high-growth datacom-oriented segments of the market – wide area networks (WAN), storage attached networks (SAN), wireless terminals

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(WIT) and wireless infrastructure (WIN). Relative to the 1996 and 1998 downturns, we have a broader portfolio of communications-oriented products now accounting for three-fourths of our revenue. We have achieved further diversification through acquisitions and long-term agreements with certain strategic accounts. While these segments are all experiencing significant inventory correction—and in some cases a fundamental slowdown in end-user demand—we believe that long term, they are still the right target markets. We will re-evaluate business conditions for the rest of the year and announce our new estimates for fiscal 2001 at our earnings conference call for the first quarter, on April 19, 2001. At this time, our latest estimate for Q101 is revenue declining sequentially by approximately 24% to \$280 million, up 6% from the year-ago quarter, with earnings before goodwill (EBG) in the \$0.30-\$0.34 range."

About Cypress Semiconductor

Cypress Semiconductor is "Driving the Communications Revolution"™ by providing high-performance integrated circuit solutions to fast-growing markets, including data communications, telecommunications, computation, consumer products, and industrial control. With a focus on emerging communications applications, Cypress's product portfolios include high-speed data communications ICs; networking-optimized and micropower static RAMs; high-bandwidth multi-port and FIFO memories; high-density programmable logic devices; timing technology solutions; and controllers for Universal Serial Bus (USB).

More than three-fourths 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 4,400 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>.

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Safe Harbor – Forward Looking Statements

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements herein that are not historical facts are "forward-looking statements" involving risks and uncertainties, including but not limited to: the effect of global economic conditions, shifts in supply and demand, market acceptance, the impact of competitive products and pricing, product development, commercialization and technological difficulties, and capacity and supply constraints. Cypress's actual results may vary materially from the results discussed in the forward-looking statements.

Factors that may cause such a difference include the continuing inventory correction and demand softening in the markets Cypress generally serves, the drastic decrease in average selling prices which can materially impact Cypress's profitability, market acceptance of the new products Cypress developed for its focused markets, successful closure and effective integration of the businesses and companies Cypress acquired, and other risks detailed from time to time in Cypress's periodic reports with the Securities and Exchange Commission, including but not limited to its report on Form 10-K for the fiscal year ended January 2, 2000 and its reports on Form 10-Q for the fiscal quarter ended October 1, 2000.