UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-10079

Cypress Semiconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware	**94-2885898**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

198 Champion Court, San Jose, California 95134
(Address of principal executive offices and zip code)
(408) 943-2600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading symbol:	Name of each exchange on which registered:
Common Stock, $0.01 par value	**CY**	**The Nasdaq Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The total number of outstanding shares of the registrant's common stock as of July 26, 2019 was 369,315,386.

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PART I—FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not historical facts and include statements relating to, among other things, the future results, operations, strategies, and prospects of Cypress Semiconductor Corporation and its consolidated subsidiaries ("Cypress," the "Company," "we," or "us"), and can in some cases be identified by our use of words such as "may," "will," "should," "plan," "anticipate," "believe," "expect," "future," "intend," "estimate," "predict," "potential," "continue," and similar expressions. This Quarterly Report includes, among others, forward-looking statements regarding: our expectations regarding dividends, debt repayments, and stock repurchases; our expectations regarding restructuring plan costs and effects; our expectations regarding active litigation matters; the sufficiency of our cash, cash equivalents, and borrowing arrangements to meet our requirements for the next 12 months; possible recognition of certain unrecognized tax benefits within the next 12 months; and the potential impact of our indemnification obligations. Our forward-looking statements are based on the expectations, beliefs and intentions of, and the information available to, our executive management on the filing date of this Quarterly Report. Readers are cautioned not to place undue reliance on forward-looking statements. Except as required by law, we assume no responsibility to update our forward-looking statements.

The forward-looking statements in this Quarterly Report involve risks and uncertainties. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: the occurrence of any event, change or other circumstances that could give rise to the termination of the Agreement and Plan of Merger (the "Merger Agreement") dated June 3, 2019, by and among Infineon Technologies AG, a stock corporation (*Aktiengesellschaft*) organized under the laws of the Federal Republic of Germany ("Infineon"), IFX Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Infineon ("Merger Sub") and the Company, pursuant to which Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger and as a wholly owned subsidiary of Infineon; the inability to complete the Merger due to the failure to obtain stockholder approval for the Merger or the failure to satisfy other conditions to completion of the Merger, including that a governmental entity may prohibit, delay or refuse to grant approval for the Merger; risks related to disruption of management's attention from our ongoing business operations due to the Merger; the effect of the announcement of the Merger on our relationships with our customers, operating results and business generally; the risk that certain approvals or consents will not be received in a timely manner or that the Merger will not be completed in a timely manner; the impact of the Merger on our ability to retain key employees; the outcome of any legal proceedings related to the Merger; potential disruptions in the international trade and investment environment, including deteriorating relationships between the U.S. government and foreign governments; the current and future state of the general economy and its impact on the markets and consumers we serve (including credit conditions); our ability to execute on our Cypress 3.0 strategy and our margin improvement plan; potential volatility in our stock price; risks related to paying down our indebtedness and meeting the covenants set forth in our debt agreements; our efforts to retain and expand our customer base (which may be adversely affected if we were to raise prices) in the intensely competitive and rapidly evolving semiconductor industry; risks related to significant supply and demand volatility in semiconductor markets (including the challenges of forecasting demand, scheduling production, and making timely delivery on customer orders); risks related to our strategy of developing and maintaining a leading portfolio of programmable microcontroller, connectivity and memory products; risks related to our flexible manufacturing strategy (and the challenge of efficiently managing a smaller number of manufacturing facilities while increasing our reliance on third-party manufacturers); our reliance on distributors and resellers; risks related to changing relationships with distributors; risks related to our "take or pay" agreements with certain vendors; the risk of defects, errors, or security vulnerabilities in our products; risks related to the integrity of our information systems, including the possibility of cyber-attacks, business-activity disruption, and loss or corruption of sensitive data; changes in tax law and policy; risks related to our pending tax examinations; risks related to our tax incentive/holiday arrangements in Malaysia, the Philippines, and Thailand; potential lack of liquidity for certain strategic investments (including the challenge of disposing of businesses, product lines, or assets on favorable terms in a timely manner); risks related to our joint venture for NAND flash memory products; risks related to our restructuring activities; the failure or success of the privately-held companies in which we are invested; the challenges of effectively integrating companies and assets that we acquire; the possibility of impairment charges; the challenges of attracting and retaining key personnel; risks related to our reliance on stock-based compensation; possible changes to our dividend policy; risks related to our share repurchase authorization; the uncertain nature of business outlook guidance; risks related to industry consolidation and the challenge of competing effectively against a smaller number of stronger companies; the challenges of adequately protecting our intellectual property rights and risks of intellectual property litigation; the possibilities that activist stockholders could negatively affect our business and that our deferred tax assets could be negatively impacted by changes in our stockholder base; risks associated with international operations; the challenges and costs of complying with environmental, data privacy, health/safety, and other laws; risks related to "conflict minerals" reporting; the possibility of business disruptions due to natural disasters; risks arising from indemnification commitments to our

officers and directors; our ability to manage our financial investments and interest rate and exchange rate exposure; and the uncertainty and expense of pending litigation matters. These and other factors are described in more detail in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 30, 2018 (our "Annual Report"), which item is incorporated herein by reference; Part I, Item 3 (Quantitative and Qualitative Disclosures about Market Risk) in this Quarterly Report; and/or Part II, Item 1A (Risk Factors) in this Quarterly Report.

ITEM 1. FINANCIAL STATEMENTS

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2019	December 30, 2018
	(In thousands, except per-share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 372,180	$ 285,720
Accounts receivable, net	267,763	324,274
Inventories	335,251	292,093
Assets held for sale	—	13,510
Other current assets	86,786	101,163
Total current assets	1,061,980	1,016,760
Property, plant and equipment, net	268,723	282,986
Operating lease right-of-use assets	47,612	—
Equity method investments	31,550	65,145
Intangible assets, net	386,814	490,590
Goodwill	1,373,750	1,373,750
Deferred tax assets	360,763	339,679
Other long-term assets	117,284	124,305
Total assets	$ 3,648,476	$ 3,693,215
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 182,826	$ 210,715
Accrued compensation and employee benefits	48,843	61,994
Price adjustment and other revenue reserves	141,516	163,088
Dividend payable	40,289	39,748
Current portion of long-term debt	8,134	6,943
Other current liabilities	134,226	138,064
Total current liabilities	555,834	620,552
Deferred income taxes and other tax liabilities	50,385	53,469
Revolving credit facility and long-term portion of debt	854,304	874,235
Other long-term liabilities	78,947	27,920
Total liabilities	$ 1,539,470	$ 1,576,176
Commitments and contingencies (Note 13)	—	—
Equity:		
Preferred stock, $0.01 par value, 5,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value, 650,000 and 650,000 shares authorized; 543,812 and 537,327 shares issued; 367,538 and 361,452 shares outstanding at June 30, 2019 and December 30, 2018, respectively	5,438	5,373
Additional paid-in-capital	5,641,422	5,636,099
Accumulated other comprehensive income (loss)	(12,671)	1,829
Accumulated deficit	(1,149,883)	(1,157,115)
Stockholders' equity before treasury stock	4,484,306	4,486,186
Less: Shares of common stock held in treasury, at cost; 176,274 and 175,875 shares at June 30, 2019 and December 30, 2018, respectively	(2,376,600)	(2,370,452)
Total Cypress stockholders' equity	2,107,706	2,115,734
Non-controlling interest	1,300	1,305
Total equity	2,109,006	2,117,039
Total liabilities and equity	$ 3,648,476	$ 3,693,215

The accompanying notes are an integral part of these condensed consolidated financial statements.

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands, except per-share amounts)			
Revenues	$ 532,221	$ 624,090	$ 1,071,225	$ 1,206,331
Cost of revenues	333,463	389,952	670,058	759,801
Gross profit	198,758	234,138	401,167	446,530
Research and development	93,639	96,693	182,245	189,926
Selling, general and administrative	91,633	86,599	173,620	169,996
Total operating expenses	185,272	183,292	355,865	359,922
Operating income	13,486	50,846	45,302	86,608
Interest expense	(12,311)	(15,577)	(25,889)	(34,436)
Other income, net	308	1,434	4,643	2,139
Income before income taxes, share in net loss and impairment of equity method investee and non-controlling interest	1,483	36,703	24,056	54,311
Income tax benefit (provision)	18,189	(5,154)	18,919	(10,211)
Share in net loss and impairment of equity method investees	(32,405)	(3,755)	(35,995)	(7,216)
Net (loss) income	(12,733)	27,794	6,980	36,884
Net loss (income) attributable to non-controlling interest	4	(88)	5	(100)
Net (loss) income attributable to Cypress	$ (12,729)	$ 27,706	$ 6,985	$ 36,784
Net (loss) income per share attributable to Cypress:				
Basic	$ (0.03)	$ 0.08	$ 0.02	$ 0.10
Diluted	$ (0.03)	$ 0.07	$ 0.02	$ 0.10
Shares used in net (loss) income per share calculation:				
Basic	365,600	358,577	364,842	356,123
Diluted	365,600	371,967	377,195	370,402

The accompanying notes are an integral part of these condensed consolidated financial statements.

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In Thousands)			
Net (loss) income	$ (12,733)	$ 27,794	$ 6,980	$ 36,884
Other comprehensive (loss) income:				
Net unrecognized gain (loss) on defined benefit plan	(928)	—	(941)	—
Net unrealized gain (loss) on cash flow hedges:				
Net unrealized (loss) gain arising during the period	(6,963)	772	(12,901)	5,236
Net (gain) loss reclassified into earnings for revenue hedges (effective portion)	(395)	621	(568)	1,228
Net loss (gain) reclassified into earnings for expense hedges (effective portion)	554	(1,148)	639	(2,285)
Net (gain) loss reclassified into earnings for interest rate hedges (effective portion)	(315)	—	(729)	—
Total net unrealized (loss) gain on cash flow hedges	(7,119)	245	(13,559)	4,179
Total other comprehensive (loss) income	(8,047)	245	(14,500)	4,179
Comprehensive (loss) income	(20,780)	28,039	(7,520)	41,063
Comprehensive loss (income) attributable to non-controlling interest	4	(112)	5	(100)
Comprehensive (loss) income attributable to Cypress	$ (20,776)	$ 27,927	$ (7,515)	$ 40,963

The accompanying notes are an integral part of these condensed consolidated financial statements.

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock		Non-controlling Interest	Total Equity
	Shares	Amount				Shares	Amount		
Balances at March 31, 2019	541,180	$ 5,412	$ 5,630,673	$ (4,624)	$ (1,137,154)	176,229	$ (2,375,838)	$ 1,304	$ 2,119,773
Net (loss) income attributable to Cypress	—	—	—	—	(12,729)	—	—	—	(12,729)
Unrealized loss on defined benefit pension plan	—	—	—	(928)	—	—	—	—	(928)
Net unrealized gain on cash flow hedges and interest rate swaps	—	—	—	(7,119)	—	—	—	—	(7,119)
Issuance of common shares under employee stock plans, net	2,632	26	17,534	—	—	—	—	—	17,560
Dividend ($0.11 per share)	—	—	(40,289)	—	—	—	—	—	(40,289)
Net settlement in stock	—	—	—	—	—	45	(762)	—	(762)
Stock-based compensation	—	—	33,504	—	—	—	—	—	33,504
Non-controlling interest	—	—	—	—	—	—	—	(4)	(4)
Balances at June 30, 2019	**543,812**	**$ 5,438**	**$ 5,641,422**	**$ (12,671)**	**$ (1,149,883)**	**176,274**	**$ (2,376,600)**	**$ 1,300**	**$ 2,109,006**
Balances at April 1, 2018	**531,765**	**$ 4,969**	**$ 5,657,767**	**$ 2,572**	**$ (1,502,628)**	**173,503**	**$ (2,334,944)**	**$ 1,068**	**$ 1,828,804**
Net income attributable to Cypress	—	—	—	—	27,706	—	—	—	27,706
Net unrealized gain on cash flow hedges and interest rate swaps	—	—	—	245	(2)	—	—	—	243
Issuance of common shares under employee stock plans, net	2,272	128	15,974	—	—	5	—	—	16,102
Dividend ($0.11 per share)	—	—	(39,449)	—	—	—	—	—	(39,449)
Repurchase of common shares	—	—	—	—	—	610	(9,996)	—	(9,996)
Stock-based compensation	—	—	35,468	—	—	—	—	—	35,468
Non-controlling interest	—	6	—	—	—	—	—	88	94
Balances at July 1, 2018	**534,037**	**$ 5,103**	**$ 5,669,760**	**$ 2,817**	**$ (1,474,924)**	**174,118**	**$ (2,344,940)**	**$ 1,156**	**$ 1,858,972**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock		Non-controlling Interest	Total Equity
	Shares	Amount				Shares	Amount		
Balances at December 30, 2018	537,327	$ 5,373	$ 5,636,099	$ 1,829	$ (1,157,115)	175,875	$ (2,370,452)	$ 1,305	$ 2,117,039
Net income attributable to Cypress	—	—	—	—	6,985	—	—	—	6,985
Unrealized loss on defined benefit pension plan	—	—	—	(941)	—	—	—	—	(941)
Net unrealized gain on cash flow hedges and interest rate swaps	—	—	—	(13,559)	247	—	—	—	(13,312)
Issuance of common shares under employee stock plans, net	6,485	65	31,774	—	—	—	—	—	31,839
Dividend ($0.11 per share)	—	—	(80,423)	—	—	—	—	—	(80,423)
Net settlement in stock	—	—	—	—	—	399	(6,148)	—	(6,148)
Stock-based compensation	—	—	53,972	—	—	—	—	—	53,972
Non-controlling interest	—	—	—	—	—	—	—	(5)	(5)
Balances at June 30, 2019	**543,812**	**$ 5,438**	**$ 5,641,422**	**$ (12,671)**	**$ (1,149,883)**	**176,274**	**$ (2,376,600)**	**$ 1,300**	**$ 2,109,006**
Balances at December 31, 2017	**525,719**	**$ 4,936**	**$ 5,659,612**	**$ (1,362)**	**$ (1,511,706)**	**173,499**	**$ (2,334,944)**	**$ 1,056**	**$ 1,817,592**
Net income attributable to Cypress	—	—	—	—	36,784	—	—	—	36,784
Net unrealized gain on cash flow hedges and interest rate swaps	—	—	—	4,179	(2)	—	—	—	4,177
Issuance of common shares under employee stock plans, net	6,916	147	36,497	—	—	9	—	—	36,644
Extinguishment of 2% Exchangeable Senior Notes due 2020	—	—	(25,696)	—	—	—	—	—	(25,696)
Issuance of common shares upon conversion of 2% Exchangeable Senior Notes due 2020	1,402	14	25,152	—	—	—	—	—	25,166
Dividend ($0.11 per share)	—	—	(78,850)	—	—	—	—	—	(78,850)
Repurchase of common shares	—	—	—	—	—	610	(9,996)	—	(9,996)
Stock-based compensation	—	—	53,045	—	—	—	—	—	53,045
Non-controlling interest	—	6	—	—	—	—	—	100	106
Balances at July 1, 2018	**534,037**	**$ 5,103**	**$ 5,669,760**	**$ 2,817**	**$ (1,474,924)**	**174,118**	**$ (2,344,940)**	**$ 1,156**	**$ 1,858,972**

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30, 2019	July 1, 2018
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 6,980	$ 36,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	50,875	52,366
Depreciation and amortization	142,682	141,361
Loss on assets held for sale	3,541	—
Loss / (Gain) on disposal or impairment of property and equipment	(365)	7,179
Share in net loss and impairment of equity method investee	35,995	7,216
Accretion of interest expense on Senior Exchangeable Notes and amortization of debt and financing costs on other debt	9,436	13,272
Restructuring and other adjustments	3,961	3,643
Changes in operating assets and liabilities:		
Accounts receivable	56,510	(104,087)
Operating lease right-of-use assets	(53,816)	—
Inventories	(38,388)	(13,956)
Other current and long-term assets	772	(17,681)
Price adjustment and other revenue reserves	(21,571)	23,556
Accounts payable and other liabilities	(16,441)	(7,341)
Net cash provided by operating activities	180,171	142,412
Cash flows from investing activities:		
Cash received on sale of inventories to joint venture	2,905	—
Distributions, net of contributions from deferred compensation plan	6,262	4,583
Acquisition of property, plant and equipment, net	(18,024)	(42,860)
Cash paid for equity method investments	(2,400)	—
Cash received on sale of cost method investment	—	18,538
Other investing	60	(1,647)
Net cash used in investing activities	(11,197)	(21,386)
Cash flows from financing activities:		
Borrowings under senior secured revolving credit facility	—	94,000
Repayment of revolving credit facility	—	(184,000)
Repayment of term loans	(27,525)	(8,088)
Repurchase of common stock	—	(9,999)
Tax withholdings related to net share settlements of restricted stock units	(6,148)	—
Finance lease payment for principal portion	(831)	—
Payment of cash dividends	(79,882)	(78,145)
Proceeds from employee stock-based awards	31,872	36,653
Payment for extinguishment of 2% Exchangeable Senior Notes due 2020	—	(10,000)
Financing costs related to debt	—	(325)
Net cash used in financing activities	(82,514)	(159,904)
Net increase (decrease) in cash and cash equivalents	86,460	(38,878)
Cash and cash equivalents, beginning of period	285,720	151,596
Cash and cash equivalents, end of period	$ 372,180	$ 112,718
Supplemental Cash Flows Disclosures:		
Unpaid purchases of property, plant and equipment	$ 4,281	$ 8,556

The accompanying notes are an integral part of these condensed consolidated financial statements.

CYPRESS SEMICONDUCTOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Years

Cypress Semiconductor Corporation (together with its consolidated subsidiaries, "Cypress" or the "Company") reports on a fiscal-year basis. The Company ends its quarters on the Sunday closest to the end of the applicable calendar quarter, except in a 53-week fiscal year, in which case the additional week falls into the fourth quarter of that fiscal year. Fiscal years 2019 and 2018 each contain(ed) 52 weeks. The second quarter of fiscal 2019 ended on June 30, 2019 and the second quarter of fiscal 2018 ended on July 1, 2018.

Basis of Presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of Cypress Semiconductor Corporation and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments of a normal, recurring nature, which are necessary to state fairly the financial information included therein. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in Cypress' Annual Report on Form 10-K for the fiscal year ended December 30, 2018. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Results reported in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the full fiscal year.

Pending Acquisition by Infineon

On June 3, 2019, the Company entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Infineon Technologies AG, a stock corporation (*Aktiengesellschaft*) organized under the laws of the Federal Republic of Germany ("Infineon") and IFX Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Infineon ("Merger Sub"). Subject to approval by Cypress's stockholders and the relevant regulatory bodies as well as other customary closing conditions, the Merger Agreement provides for Merger Sub to merge with and into the Company, with the Company continuing as the surviving corporation in the Merger and as a wholly owned subsidiary of Infineon.

Refer to Note 2 (Merger Agreement) for further details.

Summary of Significant Accounting Policies

Leases

The Company applies the guidance in Accounting Standards Codification ("ASC") Topic 842 to individual leases of assets. When the Company receives substantially all of the economic benefits from and directs the use of specified property, plant and equipment, transactions give rise to leases.

The Company’s classes of assets include real estate leases and equipment leases.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Finance leases are included in property and equipment, current portion of long-term debt, revolving credit facility and long-term portion of debt in the Company's consolidated balance sheets.

The Company has elected the practical expedient within ASC Topic 842 to not separate lease and non-lease components within lease transactions for all classes of assets. Additionally, the Company has elected the short-term lease exception for all classes of

assets, does not apply the recognition requirements for leases of 12 months or less, and recognizes lease payments for short-term leases as expense either straight-line over the lease term or as incurred depending on whether the lease payments are fixed or variable. These elections are applied consistently for all leases.

The Company subleases certain portions of buildings and land subject to operating leases. The terms and conditions of the subleases are commensurate with the terms and conditions within the original operating leases. The terms of the subleases range from one to eight years, payments are fixed within the contracts, and there are no residual value guarantees or other restrictions or covenants in the leases.

When discount rates implicit in leases cannot be readily determined, the Company uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests on lease components and to measure lease liabilities and ROU assets. The incremental borrowing rate used by the Company was based on baseline rates and adjusted by the credit spreads commensurate with the Company's secured borrowing rate, over a similar term. At each reporting period when there is a new lease initiated, the rates established for that quarter will be used.

Other significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 30, 2018.

Recent Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued Accounting Standard Update ("ASU") No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." The standard modifies the disclosure requirements on fair value measurements in Topic 820 by removing the requirement to disclose the reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The standard expands the disclosure requirements for Level 3 fair value measurement, primarily focused on changes in unrealized gains and losses included in other comprehensive income. The amendment is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans." The standard is designed to improve the effectiveness of disclosures by removing and adding disclosures related to defined benefit plans. The update is effective for fiscal years ending after December 15, 2020 with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (ASC Topic 842)." The standard introduces new requirements to increase transparency and comparability among organizations for leasing transactions for both lessees and lessors. ASU No. 2016-02 requires a lessee to record a right-of-use ("ROU") asset and a lease liability for all leases with terms longer than 12 months. These leases will be either finance or operating, with classification affecting the pattern of expense recognition.

In July 2018, the FASB issued ASU 2018-11, which provided an alternative modified retrospective transition method. Under this method, the cumulative-effect adjustment to the opening balance of retained earnings is recognized on the date of adoption (December 31, 2018). The Company adopted ASC Topic 842, as of December 31, 2018 and applied the alternative modified retrospective transition method requiring application of the new guidance to all leases existing at, or entered into on or after, the date of adoption, i.e. December 31, 2018.

As part of applying the transition method, the Company has elected to apply the package of transition practical expedients within the new guidance. As required by the new standard, these expedients have been elected as a package and are consistently applied across the Company's lease portfolio. Given this election, the Company need not reassess:

- whether any expired or existing contracts are or contain leases
- the lease classification for any expired or existing leases
- treatment of initial direct costs relating to any existing leases

As a result of adoption of this standard, and election of the transition practical expedients, the Company recognized ROU assets and lease liabilities for those leases classified as operating leases under ASC Topic 840 that continued to be classified as operating

leases under ASC Topic 842 at the date of initial application. Leases classified as capital leases under ASC 840 are classified as ‘finance leases’ under this new standard.

In applying the alternative modified retrospective transition method, the Company measured lease liabilities at the present value of the sum of remaining minimum rental payments (as defined under ASC Topic 840). The present value of lease liabilities has been measured using the Company’s incremental borrowing rates as of December 31, 2018 (the date of initial application). Additionally, ROU assets for these operating leases have been measured as the initial measurement of applicable lease liabilities adjusted for any unamortized initial direct costs, prepaid/accrued rent, unamortized lease incentives, and any ASC Topic 420 liabilities.

The adoption of this new standard at December 31, 2018, and the application of the modified retrospective transition approach resulted in the following changes:

(1) assets increased by $56.4 million, primarily representing the recognition of ROU assets for operating leases and finance leases partially offset by derecognition of assets for capital leases previously designated under ASC Topic 840; and

(2) liabilities increased by $59.2 million, primarily representing the recognition of lease liabilities for operating leases and finance leases partially offset by derecognition of liabilities for capital leases previously designated under ASC Topic 840.

Other Recently Adopted Pronouncements:

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The amendments in ASU 2017-12 are intended to more closely align hedge accounting with companies’ risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The Company adopted this guidance in the first quarter of fiscal 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The amendments in ASU 2018-02 are intended to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The Company adopted this guidance in the first quarter of fiscal 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." The standard expands the scope of ASC 718 to include all share-based payment arrangements related to the acquisition of goods and services from both nonemployees and employees. Under the amended guidance, equity-classified share-based payment awards issued to nonemployees will be measured at grant date fair value. Upon transition, the entity is required to remeasure these nonemployee awards at fair value as of the adoption date. The Company adopted this guidance in the first quarter of fiscal 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

NOTE 2. MERGER AGREEMENT

On June 3, 2019, Infineon, Merger Sub and the Company entered into the Merger Agreement, which provides for Merger Sub, upon the closing of the transaction, to merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger and as a wholly owned subsidiary of Infineon.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of common stock of Cypress ("Cypress Common Stock") that is issued and outstanding immediately prior to the Effective Time (other than shares of Cypress Common Stock (a) owned by Infineon, Merger Sub or any other direct or indirect wholly owned subsidiary of Infineon, (b) owned by Cypress, including any shares held in treasury by Cypress, (c) owned by any direct or indirect wholly owned subsidiary of Cypress and (d) owned by stockholders who have perfected and not withdrawn a demand for appraisal rights pursuant to Section 262 of the General Corporation Law of the State of Delaware) will be converted into the right to receive $23.85 in cash, without interest.

Completion of the Merger is subject to the satisfaction of several conditions, including, among others: (i) the adoption of the Merger Agreement by the holders of a majority of the outstanding shares of Cypress Common Stock; (ii) the absence of any

law prohibiting or order preventing the consummation of the Merger, (iii) the receipt of clearance from the Committee on Foreign Investment in the United States, the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of any applicable clearance or affirmative approval by the Anti-Monopoly Bureau of the State Administration for Market Regulation in the People's Republic of China, approval from the European Commission under the European Merger Regulation, and the expiration of any applicable waiting periods or any applicable authorizations or affirmative approvals of certain other non-U.S. governmental authorities under antitrust laws; (iv) the absence of a material adverse effect with respect to Cypress; and (v) compliance in all material respects on the part of each of Cypress and Infineon with such party's covenants under the Merger Agreement.

The Merger Agreement contains certain termination rights for each of Infineon and the Company. The Company will be required to pay Infineon a termination fee of $330 million in order to accept a superior proposal or if the Company's Board of Directors makes a change of its recommendation that stockholders vote in favor of the Merger. Infineon will be required to pay to the Company a termination fee equal to $425 million under certain specified circumstances upon termination of the Merger Agreement.

During the second quarter of fiscal 2019, the Company incurred approximately $8.4 million in bankers fees, legal fees and employee-related costs in connection with the proposed merger with Infineon. These costs have been included as part of selling, general and administrative expenses on the Condensed Consolidated Statement of Operations.

NOTE 3. REVENUE

The following tables present the Company's revenue disaggregated by segment, end use, revenue type and geographical locations. Revenue for the three months and six months ended June 30, 2019 reflects divestment of the Company's NAND business to SkyHigh Memory Limited ("SkyHigh"), a newly formed joint venture, which was completed on April 1, 2019.

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Microcontroller and Connectivity Division ("MCD")	$ 354,225	$ 368,526	$ 664,615	$ 705,236
Memory Products Division ("MPD")	177,996	255,564	406,610	501,095
Total revenues	$ 532,221	$ 624,090	$ 1,071,225	$ 1,206,331

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
IoT	$ 199,796	$ 212,627	$ 353,520	$ 398,245
Automotive	202,297	192,594	400,111	392,594
Legacy	130,128	218,869	317,594	415,492
Total revenues	$ 532,221	$ 624,090	$ 1,071,225	$ 1,206,331

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Product revenue	$ 518,465	$ 609,089	$ 1,047,023	$ 1,180,519
Non-product revenue (1)	13,756	15,001	24,202	25,812
Total revenue	$ 532,221	$ 624,090	$ 1,071,225	$ 1,206,331

(1) Non-product revenue primarily includes royalties, non-recurring engineering services revenue, and revenue from intellectual property arrangements.

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Products/Services transferred at a point in time	$ 525,963	$ 619,748	$ 1,063,128	$ 1,198,058
Products/Services transferred over time	6,258	4,342	8,097	8,273
Total revenue	$ 532,221	$ 624,090	$ 1,071,225	$ 1,206,331

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
United States	$ 53,751	$ 53,795	$ 118,071	$ 127,457
China, Taiwan, and Hong Kong	199,445	251,107	399,352	466,929
Japan	133,131	149,254	250,593	284,608
Europe	77,153	85,113	162,481	172,437
Rest of the World	68,741	84,821	140,728	154,900
Total revenue	$ 532,221	$ 624,090	$ 1,071,225	$ 1,206,331

NOTE 4. BALANCE SHEET COMPONENTS

Accounts Receivable, Net

	As of	
	June 30, 2019	December 30, 2018
	(In thousands)	
Accounts receivable, gross	$ 268,665	$ 325,178
Allowance for doubtful accounts receivable	(902)	(904)
Total accounts receivable, net	$ 267,763	$ 324,274

Inventories

	As of	
	June 30, 2019	December 30, 2018
	(In thousands)	
Raw materials	$ 12,736	$ 10,004
Work-in-process	269,913	215,820
Finished goods	52,602	66,269
Total inventories	$ 335,251	$ 292,093

Other Current Assets

	As of	
	June 30, 2019	December 30, 2018
	(In thousands)	
Prepaid tooling	$ 24,911	$ 25,891
Advances to suppliers	5,946	12,058
Prepaid royalty and licenses	8,068	14,863
Derivative assets	1,618	3,492
Value added tax receivable	6,587	7,652
Prepaid expenses	19,984	17,814
Withholding tax receivable and tax advance	1,544	4,236
Other current assets	18,128	15,157
Total other current assets	$ 86,786	$ 101,163

Other Long-term Assets

	As of	
	June 30, 2019	December 30, 2018
	(In thousands)	
Employee deferred compensation plan assets	$ 45,011	$ 44,397
Long-term licenses	6,068	4,495
Advances to suppliers	11,965	11,471
Deposits	9,600	9,441
Pension plan assets	1,890	1,765
Derivative assets	—	1,419
Prepaid tooling and other non-current assets	42,750	51,317
Total other long-term assets	$ 117,284	$ 124,305

Other Current Liabilities

	As of	
	June 30, 2019	December 30, 2018
	(In thousands)	
Employee deferred compensation plan liability	$ 44,981	$ 44,834
Restructuring accrual (See Note 9)	1,980	14,536
Derivative liability	1,754	1,621
Accrued expenses	47,710	46,592
Accrued interest	7,816	9,440
Customer advances	97	5,296
Operating lease liability	12,735	—
Other current liabilities	17,153	15,745
Total other current liabilities	$ 134,226	$ 138,064

Other Long-term Liabilities

	As of	
	June 30, 2019	December 30, 2018
	(In thousands)	
Pension and other employee-related liabilities	$ 16,552	$ 14,083
Asset retirement obligation	6,039	5,916
Derivative liability	14,026	4,051
Operating lease liability	37,475	—
Other long-term liabilities	4,855	3,870
Total other long-term liabilities	$ 78,947	$ 27,920

NOTE 5. INTANGIBLE ASSETS

The following table presents details of the Company's developed technology and other intangible assets:

	As of June 30, 2019			As of December 30, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In thousands)					
Acquisition-related intangible assets	$ 1,188,521	$ (805,265)	$ 383,256	$ 1,188,521	$ (702,883)	$ 485,638
Non-acquisition related intangible assets	19,884	(16,326)	3,558	19,884	(14,932)	4,952
Total intangible assets	$ 1,208,405	$ (821,591)	$ 386,814	$ 1,208,405	$ (717,815)	$ 490,590

The following table summarizes the amortization expense by line item recorded in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Cost of revenues	$ 46,881	$ 48,102	$ 93,761	$ 96,204
Research and development	697	1,261	1,395	2,521
Selling, general and administrative	4,310	4,310	8,620	9,258
Total amortization expense	$ 51,888	$ 53,673	$ 103,776	$ 107,983

The estimated future amortization expense related to developed technology and other intangible assets as of June 30, 2019 is as follows:

	(In thousands)
2019 (remaining six months)	$ 103,631
2020	153,689
2021	58,489
2022	33,000
2023	28,335
2024 and thereafter	9,670
Total future amortization expense	$ 386,814

NOTE 6. ASSETS HELD FOR SALE

Sale of NAND business

On April 1, 2019, the Company closed the transfer of its NAND business to a newly-formed joint venture between the Company and SK hynix system ic Inc. ("SKHS"). The joint venture entity is called SkyHigh Memory Limited ("SkyHigh") and its headquarters are in Hong Kong, China. SkyHigh is 60-percent-owned by SKHS and 40-percent-owned by Cypress. The Company paid $2.4 million in cash as its capital contribution in SkyHigh upon close of the transaction. Additionally, Cypress is providing certain transition and back-end manufacturing services to SkyHigh.

In the fourth quarter of fiscal 2018, the Company allocated $65.7 million of goodwill previously recorded in the MPD segment to the NAND business being divested. The allocation was based on the relative estimated enterprise value of the NAND business and that of the MPD business. The intangible assets attributable to the NAND business acquired as part of a previous acquisition were $10.9 million. Based on an analysis carried out in the fourth quarter of fiscal 2018, the Company recorded an impairment charge of $76.6 million which related to the goodwill and intangible assets allocated to the NAND business. During the six months ended June 30, 2019, the Company recognized an incremental loss of $3.5 million related to adjustments in the carrying value of certain assets and estimated costs of certain transition services.

Inventories related to the NAND business were classified as held-for-sale assets at December 30, 2018 in the amount of $13.5 million. The inventories remaining as of April 1, 2019 were purchased by SkyHigh upon the closing of the transaction. The Company will receive cash payments for the cost of these inventories from SkyHigh. In addition, a contingent amount will be paid by SkyHigh based on the profit on the sale of these inventories, if any.

NOTE 7. EQUITY METHOD INVESTMENTS

Privately-held equity investments in entities the Company does not control are accounted for under the equity method of accounting if the Company has an ownership interest of 20% or greater or if it has the ability to exercise significant influence over the operations of such companies.

Deca Technologies Inc. ("Deca")

Deca continues to be in the process of developing and testing a fan-out wafer level packaging technology. Deca’s estimated enterprise value is sensitive to its ability to achieve key product development and testing milestones. During the fourth quarter of fiscal 2018, the Company determined that its investment in Deca was other-than-temporarily impaired and recognized a charge of $41.5 million in order to write down the carrying amount of the investment in Deca to the estimated fair value as of the end of fiscal 2018. Additional delays or failure by Deca to complete these milestones - similar to those previously experienced by Deca in fiscal 2018 - may have a significant adverse impact on Deca’s estimated enterprise value.

Deca’s current and future revenues are dependent on a small number of significant customers. During the second quarter of fiscal 2019, certain of these key customers notified Deca management of their intention to significantly reduce their previously estimated orders from Deca for 2019. During the second quarter of fiscal 2019 Deca continued to evaluate its strategic alternatives, including having discussions with certain third-party investors. These conversations between Deca and potential investors are in preliminary stages and subject to negotiations, and it is possible that a strategic arrangement might not materialize. However, these discussions indicate that the enterprise value of Deca might be lower than Cypress’s previous estimates. As a result of the significant reduction in orders from customers, as well as the other objective indicators of enterprise value, the Company has determined that during the second quarter of fiscal 2019 its investment in Deca was other-than-temporarily impaired. As a result, the Company has recorded a charge of $29.5 million in order to write down the carrying amount of the investment in Deca to its estimated fair value as of the end of the second quarter of fiscal 2019. This write down was recorded in "Share in net loss and impairment of equity method investees" in the Condensed Consolidated Statements of Operations.

Given the factors described above, there continues to be a substantial risk that the carrying value of the Company's investment in Deca may be further impaired in the future. Any further loss of, material delay in placing orders by, or significant decrease in demand from any of its key customers would have a material adverse effect on Deca’s business, results of operations and financial condition. Further, if Deca is unable to (a) raise sufficient funding, if needed, for continuing its operations, or (b) complete a strategic transaction that allows realization of its economic value, Cypress may be required to record further impairments resulting in partial or full write down of the carrying value of its investment in Deca.

The Company's carrying value in Deca was $28.6 million and $65.1 million as of June 30, 2019 and December 30, 2018, respectively. The Company held 52.5% of Deca's outstanding voting shares as of June 30, 2019 and December 30, 2018.

SkyHigh

On April 1, 2019, the Company completed the transfer of its NAND business to a newly-formed joint venture between the Company and SKHS. SkyHigh is 60-percent-owned by SKHS and 40-percent-owned by Cypress. The Company paid $2.4 million in cash as its capital contribution to SkyHigh upon the closing of the transaction. The Company's carrying value in SkyHigh was $3.0 million as of June 30, 2019.

The below table presents the changes in carrying value of the equity method investments.

	As of June 30, 2019
	(In thousands)
	Total
Carrying value as of December 30, 2018	$ 65,145
Additional investment	2,400
Share in net (loss) income of equity method investees	(6,490)
Impairment of investment	(29,505)
Carrying value as of June 30, 2019	$ 31,550

The following table presents summarized aggregate financial information derived from the respective consolidated financial statements of Deca and SkyHigh for the three and six months ended June 30, 2019, and of Deca for the three and six months ended July 1, 2018:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Operating data:				
Revenue	$ 17,573	$ 4,453	$ 22,194	$ 8,602
Gross profit (loss)	2,240	(3,056)	314	(5,377)
Loss from operations	(4,643)	(7,091)	(11,105)	(13,840)
Net loss	(5,173)	(7,137)	(12,016)	(13,777)
Net loss attributable to Cypress	$ (2,900)	$ (3,744)	$ (6,490)	$ (7,227)

The following table represents the assets and liabilities held by Deca and SkyHigh as of June 30, 2019, and by Deca as of December 30, 2018:

	June 30, 2019	December 30, 2018
	(In thousands)	
Balance Sheet Data:		
Current assets	$ 45,427	$ 25,865
Long-term assets	49,361	51,176
Current liabilities	31,564	9,635
Long-term liabilities	$ 481	$ 877

NOTE 8. FAIR VALUE MEASUREMENTS

Assets/Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the fair value hierarchy for the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and December 30, 2018:

	June 30, 2019			December 30, 2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	(In thousands)					
Financial Assets						
Cash equivalents:						
Money market funds	$ 238,331	$ —	$ 238,331	$ 171,777	$ —	$ 171,777
Other current assets:						
Certificates of deposit	—	870	870	—	870	870
Total cash equivalents other current assets	238,331	870	239,201	171,777	870	172,647
Employee deferred compensation plan assets	16,743	28,268	45,011	18,648	25,749	44,397
Interest rate swap	—	—	—	—	2,548	2,548
Foreign exchange forward contracts	—	1,618	1,618	—	2,362	2,362
Total financial assets	$ 255,074	$ 30,756	$ 285,830	$ 190,425	$ 31,529	$ 221,954
Financial Liabilities						
Foreign exchange forward contracts	—	902	902	—	1,621	1,621
Interest rate swap	—	14,878	14,878	—	4,051	4,051
Total financial liabilities	$ —	$ 15,780	$ 15,780	$ —	$ 5,672	$ 5,672

The Company did not have any material assets or liabilities measured at fair value on a recurring basis using Level 3 inputs as of June 30, 2019 and December 30, 2018.

Valuation Techniques:

There have been no changes to the valuation techniques used to measure the fair value of the Company's assets and liabilities. For a description of the valuation techniques, refer to Note 8 (Fair Value Measurements) of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 30, 2018.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain of the Company’s assets, including intangible assets, goodwill and assets held for sale, are measured at fair value on a nonrecurring basis using Level 3 inputs if impairment is indicated.

Fair Value of Long-Term Debt

As of June 30, 2019, the carrying value of the Company's senior secured credit facility was $442.1 million (See Note 11). The carrying value of the Company's senior secured credit facility approximates its fair value since it bears an interest rate that is comparable to rates on similar credit facilities and is determined using Level 2 inputs.

The Company's 2% Exchangeable Senior Notes due 2020 assumed as part of the Company's merger with Spansion Inc. ("Spansion") are traded in the secondary market for debt instruments and are categorized as Level 2 inputs. The principal and the estimated fair value of the principal of these notes as of June 30, 2019 were $12.0 million and $55.0 million, respectively. The principal and the estimated fair value of the principal of these notes as of December 30, 2018 were $12.0 million and $30.9 million, respectively. See Note 11 for further details.

The Company’s 4.5% Convertible Senior Notes due 2022 are traded in the secondary market for debt instruments and the fair value is determined using Level 2 inputs. The principal and the estimated fair value of the principal of these notes as of June 30, 2019 were $287.5 million and $482.5 million, respectively. The principal and the estimated fair value of the principal of these notes as of December 30, 2018 were $287.5 million and $336.6 million, respectively. See Note 11 for further details.

The Company's 2% Convertible Senior Notes due 2023 are traded in the secondary market and the fair value is determined using Level 2 inputs. The principal and the estimated fair value of the principal of these notes as of June 30, 2019 were $150.0 million and $177.3 million, respectively. The principal and the estimated fair value of the principal of these notes as of December 30, 2018 were $150.0 million and $140.6 million, respectively. See Note 11 for further details.

NOTE 9. RESTRUCTURING

Since 2016, the Company has launched certain long-term strategic corporate transformation initiatives which required restructuring activities to streamline internal processes and redeploy personnel and resources as discussed below:

2019 Restructuring Plan

In the second quarter of fiscal 2019, the Company began implementation of a reduction in workforce (the "2019 Plan") which resulted in the elimination of approximately 90 positions across various functions. The 2019 Plan is not expected to result in reduction of overall costs as the savings from the positions eliminated will be redeployed. The restructuring cost of $3.0 million recorded during the three and six months ended June 30, 2019, consists of personnel costs. The Company anticipates the remaining restructuring accrual balance of $1.9 million will be paid out in cash through the remainder of fiscal 2019.

2018 Restructuring Plan

In fiscal 2018, the Company began implementation of a reduction in workforce (the "2018 Plan") which resulted in the elimination of approximately 130 positions across various functions. The remaining restructuring accrual related to the 2018 plan is expected to be settled through the remainder of fiscal 2019.

2017 Restructuring Plan

In December 2017, the Company began implementation of a reduction in workforce (the "2017 Plan") which resulted in the elimination of approximately 80 positions worldwide across various functions. The restructuring activities under this plan were completed and the related accrual was fully settled in the first quarter of fiscal 2019.

Spansion Integration-Related Restructuring Plan ("Spansion Integration Plan")

In March 2015, the Company began implementation of cost reduction and restructuring activities in connection with its merger with Spansion. The restructuring activities under this plan were completed and the related accrual was fully settled in the first quarter of fiscal 2019.

Summary of Restructuring Costs

The following table summarizes the restructuring charges recorded in the Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Personnel and other costs	$ 3,021	$ 1,239	$ 3,117	$ 5,335
Total restructuring costs	$ 3,021	$ 1,239	$ 3,117	$ 5,335

The following table summarizes the restructuring costs by line item recorded in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Cost of goods sold	$ 1,018	$ 1,589	$ 1,018	$ 3,476
Research and development	1,362	33	1,362	326
Selling, general and administrative	641	(383)	737	1,533
Total restructuring costs	$ 3,021	$ 1,239	$ 3,117	$ 5,335

Roll-Forward of the Restructuring Reserves

Restructuring activity under the Company's restructuring plans was as follows:

	(In thousands)				
	2019 Plan	2018 Plan	2017 Plan	Spansion Integration Plan	Total
Accrued restructuring balance as of December 30, 2018	$ —	$ 248	$ 30	$ 14,258	$ 14,536
Provision	3,021	7	—	89	3,117
Cash payments and other adjustments	(1,152)	(144)	(30)	(14,347)	(15,673)
Accrued restructuring balance as of June 30, 2019	$ 1,869	$ 111	$ —	$ —	$ 1,980
Current portion of the restructuring accrual	$ 1,869	$ 111	$ —	$ —	$ 1,980

NOTE 10. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION

The following table summarizes the stock-based compensation expense by line item recorded in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Cost of revenues	$ 2,817	$ 3,985	$ 5,501	$ 7,569
Research and development	12,304	13,801	18,984	20,514
Selling, general and administrative	15,359	16,122	26,390	24,283
Total stock-based compensation expense	$ 30,480	$ 33,908	$ 50,875	$ 52,366

As of June 30, 2019 and December 30, 2018, stock-based compensation capitalized in inventory was $5.6 million and $2.5 million, respectively.

The following table summarizes the stock-based compensation expense by type of awards:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs")	$ 28,843	$ 31,772	$ 47,481	$ 49,021
Employee Stock Purchase Plan (“ESPP”) and stock option	1,637	2,136	3,394	3,345
Total stock-based compensation expense	$ 30,480	$ 33,908	$ 50,875	$ 52,366

The following table summarizes the unrecognized stock-based compensation balance, by type of award as of June 30, 2019:

	(In thousands)	Weighted-Average Amortization Period (In years)
RSUs and PSUs	$ 101,239	1.48
Total unrecognized stock-based compensation expense	$ 101,239	1.48

Equity Incentive Programs

As of June 30, 2019, approximately 29.6 million stock options, or 15.9 million RSUs and PSUs, were available for grant as stock-based awards under the 2013 Stock Plan, the 2010 Equity Incentive Award Plan and the 2012 Incentive Award Plan.

Pursuant to the Merger Agreement, if the proposed Merger with Infineon is completed, each RSU, PSU, and employee or director stock option outstanding at the closing will be cancelled and converted into a right to receive an amount of cash specified in the Merger Agreement (without interest and subject to any applicable tax withholding). Such cash amounts will be payable promptly after the closing in respect of 100% of stock options (whether vested or unvested), 100% of director RSUs, and 50% of most other RSUs outstanding at the closing. Cash amounts for the remaining RSUs and all PSUs outstanding at the closing will generally be payable, subject to continued employment with the surviving corporation, according to the Cypress award's original vesting schedule (subject to acceleration in certain circumstances). These provisions from the Merger Agreement did not have any impact on the Company's condensed consolidated financial statements for the three and six months ended June 30, 2019.

In addition, the Merger Agreement provides that no new offering periods under the ESPP will commence during the period between the date of the Merger Agreement and the Effective Time and the ESPP will terminate as of immediately prior to the Effective Time. Accordingly, the Company suspended the ESPP for all participants following the June 28, 2019, share purchase. Refer to Note 2 (Merger Agreement) for further details about the proposed Merger.

Stock Options

The following table summarizes the Company's stock option activities:

	Shares	Weighted-Average Exercise Price Per Share	Weighted Average Remaining Contractual term	Aggregate Intrinsic Value
	(In thousands, except per-share amounts)		(In years)	($ in millions)
Options outstanding as of December 30, 2018	2,639	$ 11.75		
Exercised	(379)	$ 8.14		
Forfeited or expired	(66)	$ 21.59		
Options outstanding as of March 31, 2019	2,194	$ 12.07	1.94	$ 7.3
Exercised	(459)	$ 12.47		
Forfeited or expired	(18)	$ 20.18		
Options outstanding as of June 30, 2019	1,717	$ 11.88	1.74	$ 17.8
Options exercisable as of June 30, 2019	1,715	$ 11.88	1.74	$ 17.8

No options were granted during the three or six months ended June 30, 2019 and July 1, 2018.

RSUs and PSUs

The following table summarizes the Company's RSU and PSU activities:

	Shares	Weighted-Average Grant Date Fair Value Per Share
	(In thousands, except per-share amounts)	
Balance as of December 30, 2018	10,175	$ 14.42
Granted	6,026	15.08
Released	(2,437)	14.38
Forfeited	(172)	12.80
Balance as of March 31, 2019	13,592	$ 14.64
Granted	323	16.65
Released	(1,330)	14.11
Forfeited	(225)	13.50
Balance as of June 30, 2019	12,360	14.26

2019 Long-Term Incentive Program

During the first quarter of 2019, the Compensation Committee of the Company's Board of Directors approved the issuance of service-based and performance-based restricted stock units under the Company's Long-Term Incentive Program ("LTIP") to certain employees. The performance goals for the performance-based 2019 LTIP grants relate to non-GAAP operating margin and customer experience plan milestones for fiscal 2019 and include a multiplier based on the Company's total stockholder return relative to an index.

Dividend

On May 6, 2019, the Company's Board of Directors approved a cash dividend of $0.11 per share payable to holders of record of its common stock at the close of the business day on June 27, 2019. This cash dividend was paid on July 18, 2019 and totaled $40.3 million which was accrued for and shown as "Dividends payable" on the Condensed Consolidated Balance Sheets as of June 30, 2019.

On August 2, 2019, the Company's Board of Directors approved a cash dividend of $0.11 per share payable to holders of record of its common stock at the close of the business day on September 26, 2019. The Company expects to pay the cash dividend in October 2019.

NOTE 11. DEBT

Total debt, including finance lease obligations, is comprised of the following as of June 30, 2019 and December 30, 2018:

	June 30, 2019	December 30, 2018
	(In thousands)	
Current portion of long-term debt		
Senior Secured Credit Facility: Term Loan B	$ 6,314	$ 5,051
Finance lease obligations	1,820	1,892
Current portion of long-term debt	8,134	6,943
Revolving credit facility and long-term portion of debt		
Senior Secured Credit Facility: Term Loan B	435,794	462,868
2% Exchangeable Senior Notes due 2020	11,603	11,438
4.5% Convertible Senior Notes due 2022	261,785	256,726
2% Convertible Senior Notes due 2023	136,878	135,057
Finance lease obligations	8,244	8,146
Credit facility, finance lease obligations, and long-term debt	854,304	874,235
Total debt	$ 862,438	$ 881,178

As of June 30, 2019, the Company was in compliance with all of the financial covenants under all of its debt facilities.

Senior Secured Credit Facility: Revolving Credit Facility and Term Loan B

On March 18, 2019, the Company repaid $25.0 million of the outstanding Term Loan B principal in addition to the scheduled quarterly principal payment of $1.3 million. The Company paid the scheduled quarterly principal payment of $1.3 million during the second quarter of fiscal 2019.

Interest expense related to the contractual interest expense, the amortization of the debt issuance costs and the amortization of debt discounts was $6.6 million and $13.5 million during the three and six months ended June 30, 2019. Interest expense related to the contractual interest expense, the amortization of the debt issuance costs and the amortization of debt discounts was $7.6 million and $18.9 million during the three and six months ended July 1, 2018, respectively.

As of June 30, 2019 and December 30, 2018, the aggregate principal amount of borrowings outstanding under the Credit Facility, all of which related to Term Loan B, were $448.8 million and $476.3 million, respectively.

Subject to the terms and conditions set forth in the Merger Agreement discussed in Note 2, at the Effective Time of the Merger, the acquisition will trigger the change of control provision of the Term Loan B arrangement causing the debt to become payable immediately.

On July 31, 2019, the Company amended its existing Revolving Credit Facility thereby increasing the available amount from $540 million to $700 million and extending its maturity from March 12, 2020 to January 31, 2021. The Company may, at its sole discretion, extend the maturity for another six months to July 31, 2021. The financial covenants were amended to increase the maximum total leverage ratio from 3.75 to 4.0. Subject to the terms and conditions set forth in the amended Revolving Credit Facility, at the Effective Time of the Merger, the Merger will trigger the change of control provision of the Revolving Credit Facility causing the debt to become payable immediately. The Company borrowed $447 million under the amended Revolving Credit Facility and repaid the entire outstanding Term Loan B principal balance of approximately $448 million as of July 31, 2019, resulting in extinguishment of Term Loan B, which was scheduled to mature on July 5, 2021.

2% Exchangeable Senior Notes due 2020

Pursuant to the merger with Spansion, Cypress assumed Spansion's 2% Exchangeable Senior Notes due 2020 (the "Spansion Notes"). The Spansion Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Company. The Spansion Notes will mature on September 1, 2020, unless earlier repurchased or converted, and bear interest of 2% per year payable semi-annually in arrears on March 1 and September 1. The Spansion Notes may be due and payable immediately upon certain events of default.

As of June 30, 2019, the Spansion Notes are exchangeable for 206.3879 shares of common stock per $1,000 principal amount of Spansion Notes (equivalent to an exchange price of approximately $4.85 per share) subject to adjustment upon the occurrence of certain events, including dividends, anti-dilutive issuances and, in certain circumstances, a make-whole adjustment upon a fundamental change. Pursuant to the terms of the indenture governing the Spansion Notes (as amended, the "Spansion Notes Indenture"), a "fundamental change" includes a change in control, a liquidation, consolidation, or merger of the Company or a delisting of the Company's common stock. Pursuant to the terms of the Spansion Notes Indenture, a fundamental change will not be deemed to have occurred in the case of a person or group becoming the beneficial owner, directly or indirectly, of more than 50% of the Company's common stock or in the case of a liquidation, consolidation or merger of the Company if, in either case, 90% of the consideration paid in such transaction consists of shares of common equity traded on The New York Stock Exchange or Nasdaq. (See "—Effect of Proposed Merger on the Notes," below)

Prior to June 1, 2020, the Spansion Notes are exchangeable only under certain specified circumstances as described in the Spansion Notes Indenture. One such circumstance is that the Spansion Notes will be exchangeable during any fiscal quarter (and only during such fiscal quarter), if the closing sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than 130% of the exchange price on each applicable trading day. Such condition was met as of the last trading day of the Company's fiscal quarter ended June 30, 2019 and, accordingly, the Spansion Notes will be exchangeable at the option of their holders during the Company's fiscal quarter ending September 29, 2019.

The Spansion Notes consisted of the following as of June 30, 2019 and December 30, 2018 (in thousands):

	June 30, 2019	December 30, 2018
Equity component	$ 22,971	$ 22,971
Liability component:		
Principal	11,990	11,990
Less debt discount and debt issuance costs, net	(387)	(552)
Net carrying amount	$ 11,603	$ 11,438

The following table summarizes the components of the total interest expenses on the Spansion Notes recognized during the three and six months ended June 30, 2019 and July 1, 2018 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Contractual interest expense at 2% per annum	$ 61	$ 61	$ 121	$ 121
Accretion of debt discount	82	82	165	164
Total	$ 143	$ 143	$ 286	$ 285

4.5% Convertible Senior Notes due 2022

On June 23, 2016, the Company issued, at face value, $287.5 million of 4.5% Convertible Senior Notes due 2022 (the "2022 Notes") in a private placement to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended.

The 2022 Notes are convertible at an initial conversion rate of 74.1372 shares of common stock per $1,000 principal amount of 2022 Notes (equivalent to an initial conversion price of approximately $13.49 per share) subject to adjustment upon the occurrence of certain events, including anti-dilutive issuances and, in certain circumstances, a make-whole adjustment upon a fundamental change. Pursuant to the terms of the indenture governing the 2022 Notes (the "2022 Notes Indenture"), a

fundamental change includes a change in control, liquidation, consolidation, or merger of the Company or a delisting of the Company's stock, (see "—Effect of Proposed Merger on the Notes," below).

Prior to October 15, 2021, the 2022 Notes are convertible only under certain specified circumstances as described in the 2022 Notes Indenture. One such circumstance is that the 2022 Notes will be convertible during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to130% of the conversion price on each applicable trading day. Such condition was met as of the last trading day of the Company's fiscal quarter ended June 30, 2019 and, accordingly, the 2022 Notes will be convertible at the option of their holders during the Company's fiscal quarter ending September 29, 2019.

The 2022 Notes consisted of the following as of June 30, 2019 and December 30, 2018 (in thousands):

	June 30, 2019	December 30, 2018
Equity component	$ 47,686	$ 47,686
Liability component:		
Principal	287,500	287,500
Less debt discount and debt issuance costs, net	(25,715)	(30,774)
Net carrying amount	$ 261,785	$ 256,726

The following table includes total interest expense related to the 2022 Notes recognized during the three and six months ended June 30, 2019 and July 1, 2018 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Contractual interest expense	$ 3,198	$ 3,234	$ 6,469	$ 6,469
Amortization of debt issuance costs	317	320	641	641
Accretion of debt discount	2,184	2,209	4,418	4,418
Total	$ 5,699	$ 5,763	$ 11,528	$ 11,528

Capped Calls

In connection with the issuance of the 2022 Notes, the Company entered into capped call transactions with certain bank counterparties to reduce the risk of potential dilution of the Company’s common stock upon the conversion of the 2022 Notes. The capped call transactions have an initial strike price of approximately $13.49 and an initial cap price of approximately $15.27, in each case, subject to adjustment. The capped calls expire in January 2022.

2% Convertible Senior Notes due 2023

On November 6, 2017, the Company, issued at face value, $150.0 million of 2% Convertible Senior Notes due 2023 (the "2023 Notes") in a private placement to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended.

The 2023 Notes are convertible at an initial conversion rate of 46.7099 shares of common stock per $1,000 principal amount of 2023 Notes (equivalent to an initial conversion price of approximately $21.41 per share) subject to adjustment upon the occurrence of certain events, including anti-dilutive issuances and, in certain circumstances, a make-whole adjustment upon a fundamental change. A fundamental change includes a change in control, delisting of the Company’s stock, and liquidation, consolidation, or merger of the Company (see "—Effect of Proposed Merger on the Notes," below). Prior to November 1, 2022, the 2023 Notes are convertible only under certain specified circumstances as described in the indenture under which the 2023 Notes were issued.

The 2023 Notes consisted of the following as of June 30, 2019 and December 30, 2018 (in thousands):

	June 30, 2019	December 30, 2018
Equity component	$ 15,028	$ 15,028
Liability component:		
Principal	150,000	150,000
Less debt discount and debt issuance costs, net	(13,122)	(14,943)
Net carrying amount	$ 136,878	$ 135,057

The following table includes total interest expense related to the 2023 Notes recognized during the three and six months ended June 30, 2019 and July 1, 2018 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Contractual interest expense	$ 748	$ 748	$ 1,496	$ 1,496
Amortization of debt issuance costs	175	175	350	350
Accretion of debt discount	735	735	1,471	1,470
Total	$ 1,658	$ 1,658	$ 3,317	$ 3,316

For more information on the Spansion Notes, the 2022 Notes, and the 2023 Notes, see Note 15 (Debt) of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 30, 2018.

Effect of Proposed Merger on the Notes

If the proposed Merger is completed, each holder of Cypress's outstanding Spansion Notes, 2022 Notes or 2023 Notes will, pursuant to the terms of the applicable indenture governing such series of notes, be entitled to either (a) convert or exchange such holder's notes of the applicable series into a right to receive an amount in cash for each $1,000 principal amount of notes held by that holder equal to the per share merger consideration of $23.85 (without interest) multiplied by the applicable exchange rate or conversion rate, as applicable (subject to certain make-whole adjustments), in effect on the applicable exchange date or conversion date, as applicable for the relevant series of notes or (b) require the surviving corporation to repurchase that holder's exchangeable notes (or any portion of principal amount thereof that is equal to $1,000 or an integral multiple of $1,000 in excess thereof) of the applicable series for cash on a date specified by the surviving corporation in accordance with the applicable indenture at the applicable Fundamental Change Repurchase Price (as defined in the applicable indenture). Alternatively, holders of Cypress's outstanding exchangeable or convertible notes, as applicable, can continue to hold such notes, which, following the Merger's Effective Time, will be convertible or exchangeable only into cash as described above.

Future Debt Payments

The future scheduled principal payments for the Company's outstanding debt as of June 30, 2019, were as follows (in thousands):

Fiscal Year	Total
2019 (remaining six months)	$ 2,525
2020	17,041
2021	441,209
2022	287,500
2023	150,000
Total (excluding finance leases)	$ 898,275
Finance lease liabilities	10,064
Total debt	$ 908,339

NOTE 12. LEASES

The Company has operating and finance leases for corporate offices, research and development facilities, and certain equipment. The Company's leases have remaining lease terms of 1 year to 8 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within the lease terms.

Supplemental balance sheet information related to leases was as follows (in thousands):

	As of June 30, 2019
Finance Leases	
Property and equipment, at cost	$ 9,583
Accumulated depreciation	(1,049)
Property and equipment, net	$ 8,534
Finance leases included in current portion of long-term debt	$ 1,820
Finance leases included in revolving credit facility and long-term portion of debt	8,244
Total finance lease liabilities	$ 10,064
Operating Leases	
Operating lease right-of-use assets	$ 47,612
Operating leases included in other current liabilities	12,735
Operating leases included in other long-term liabilities	37,475
Total operating lease liabilities	$ 50,210

The component of lease costs was as follows (in thousands):

	Three Months Ended	Six Months Ended
	June 30, 2019	
Lease cost		
Finance lease cost		
Amortization of right-of-use assets	$ 413	$ 826
Interest on lease liabilities	98	200
Operating lease cost	3,930	7,300
Short term lease cost	150	488
Variable lease cost	390	949
Total lease cost	$ 4,981	$ 9,763

Other information related to leases were as follows (in thousands):

	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	$ 199
Operating cash flows from operating leases	$ 7,267
Financing cash flows from finance leases	$ 831
Weighted-average remaining lease term:	**As of June 30, 2019**
Finance leases	5.42
Operating leases	5.51
Weighted-average discount rate:	
Finance leases	3.98%
Operating leases	6.81%

As of June 30, 2019, the maturities of the Company's lease liabilities are as follows:

	Operating lease liabilities	Finance lease liabilities
Fiscal Year	**(In thousands)**	
2019 (remaining six months)	$ 7,936	$ 1,121
2020	15,758	2,177
2021	8,060	2,189
2022	6,122	2,191
2023	4,861	2,068
Thereafter	18,876	1,437
Total undiscounted future cash flows	$ 61,613	$ 11,183
Less: Imputed interest	$ 11,403	$ 1,119
Present value of undiscounted future cash flows	$ 50,210	$ 10,064
Presentation on statement of financial position		
Current	$ 12,735	$ 1,820
Non-current	$ 37,475	$ 8,244

As of December 30, 2018, future minimum lease payments under non-cancelable operating leases were as follows:

Fiscal Year	(In thousands)
2019	$ 29,315
2020	12,860
2021	8,176
2022	6,241
2023	2,476
Thereafter	3,808
Total	$ 62,876

NOTE 13. COMMITMENTS AND CONTINGENCIES

Product Warranties

The Company generally warrants its products against defects in materials and workmanship for a period of one year, and that product warranty is generally limited to a refund of the original purchase price of the product or a replacement part. The Company estimates its warranty costs based upon its historical warranty claim experience. Warranty returns are recorded as an allowance for sales returns. The allowance for sales returns is reviewed quarterly to verify that it reflects the remaining obligations based on the anticipated returns over the balance of the obligation period.

The following table presents the Company's warranty reserve activities:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Beginning balance	$ 3,555	$ 4,445	$ 3,982	$ 4,445
Settlements made	(631)	(1,029)	(2,385)	(2,978)
Provisions	631	1,029	1,958	2,978
Ending balance	$ 3,555	$ 4,445	$ 3,555	$ 4,445

Contractual Obligations

The Company has entered into agreements with certain vendors that include "take or pay" terms. Take or pay terms obligate the Company to purchase a minimum required amount of materials or services or make specified payments in lieu of such purchase. The Company may not be able to consume minimum commitments under these take or pay terms, requiring payments to vendors, which may have a material adverse impact on the Company’s earnings.

Litigation and Asserted Claims

The Company is currently involved in various legal proceedings, claims, and disputes arising in the ordinary course of business, including intellectual property claims and other matters.

Following the public announcement of the Merger Agreement, purported stockholders of the Company filed nine lawsuits against the Company and the members of our Board of Directors: *Wang v. Cypress Semiconductor Corp. et al.*, 19-cv-03855 (N.D. Cal., filed July 3, 2019); *Wheby v. Cypress Semiconductor Corp. et al*., 19-cv-01267 (D. Del., filed July 8, 2019); *Baxter v. Cypress Semiconductor Corp. et al*., 19-cv-03944 (N.D. Cal., filed July 9, 2019); *Salpeter-Levy v. Cypress Semiconductor Corp. et al*., 19-cv-06369 (S.D.N.Y., filed July 10, 2019); *Jeweltex Mfg. Inc. Ret. Plan v. Cypress Semiconductor Corp. et al*., 19-cv-03978 (N.D. Cal., filed July 11, 2019); *Hatt v. Cypress Semiconductor Corp. et al*., 19-cv-15400 (D.N.J., filed July 15, 2019); *Starosciak v. Cypress Semiconductor Corporation et al.*, 19-cv-01315 (D. Del., filed on July 16, 2019); *Fredericks v. Cypress Semiconductor Corporation et al.*, 19-cv-04139 (N.D. Cal., filed on July 18, 2019); and *Nozawa v. Cypress Semiconductor Corporation et al.*, 19-cv-06821 (S.D.N.Y., filed on July 23, 2019). *Wheby*, *Baxter* and *Nozawa* are purported class actions and eight complaints contend, among other things, that the Company’s preliminary proxy statement on Schedule 14A, filed July 2, 2019, misstates or fails to disclose certain allegedly material information in violation of federal securities laws (*Fredericks* alleges similar theories based on the Company’s definitive proxy statement on Schedule 14A, filed July 16, 2019). Each seeks equitable relief, including seeking an injunction of the merger, among other remedies. Although we cannot predict the ultimate outcome of these cases with certainty, the Company believes that these lawsuits are without merit and intends to defend against them vigorously.

For many legal matters, particularly those in early stages, the Company cannot reasonably estimate the possible loss (or range of loss), if any. The Company records an accrual for legal matters at the time or times it determines that a loss is both probable and reasonably estimable. Amounts accrued as of June 30, 2019 were not material. Regarding matters for which no accrual has been made (including the potential for losses in excess of amounts accrued), the Company currently believes, based on its own investigations, that any losses (or ranges of losses) that are reasonably possible and estimable will not, in the aggregate, have a material adverse effect on its financial position, results of operations, or cash flows. However, the ultimate outcome of legal proceedings involves judgments, estimates, and inherent uncertainties and cannot be predicted with certainty. Should the ultimate outcome of any legal matter be unfavorable, the Company's business, financial condition, results of operations, or cash

flows could be materially and adversely affected. The Company may also incur substantial legal fees, which are expensed as incurred, in defending against legal claims.

Indemnification Obligations

The Company is a party to a variety of agreements pursuant to which it may be obligated to indemnify other parties to such agreements with respect to certain matters. Typically, these obligations arise in the context of contracts that the Company has entered into, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants or terms and conditions related to such matters as the sale and/or delivery of its products, title to assets sold, certain intellectual property claims, defective products, specified environmental matters and certain income taxes. With respect to the sale of a manufacturing facility or subsidiary business, such indemnification may also cover tax matters and the Company's management of the facility or business prior to the sale. In the foregoing circumstances, payment by the Company is customarily conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claims and vigorously defend itself and the other party against related third-party claims. Further, the Company's obligations under these agreements may be limited in terms of time, amount or the scope of its responsibility and in some instances, the Company may have recourse against third parties for certain payments made under these agreements.

It is not possible to predict the maximum potential amount of future payments under these agreements due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments the Company has made under these agreements have not had a material effect on the Company's business, financial condition or results of operations. As of June 30, 2019, management believes that if the Company were to incur a loss (in excess of amounts already recognized) in any of these matters, such loss would not have a material effect on its business, financial condition, cash flows or results of operations, though there can be no assurance in this regard.

NOTE 14. FOREIGN CURRENCY AND INTEREST RATE DERIVATIVES

The Company enters into multiple foreign exchange forward contracts to hedge certain foreign currency risk resulting from fluctuations in Japanese yen (¥) and Euro (€) exchange rates. In addition, the Company entered into fixed-for-floating interest rate forward swap agreements and has designated these swaps as hedging instruments. The Company does not enter into derivative securities for speculative purposes. The Company's hedging policy is designed to mitigate the impact of foreign currency exchange rate fluctuations on its operating results. Some foreign currency forward contracts are considered to be economic hedges that were not designated as hedging instruments while others were designated as cash flow hedges. Whether designated or undesignated as cash flow hedges or not, these forward contracts protect the Company against the variability of forecasted foreign currency cash flows resulting from revenues, expenses and net asset or liability positions designated in currencies other than the U.S. dollar. The maximum original duration of any contract allowable under the Company's hedging policy is thirteen months for foreign currency hedging contracts.

Cash Flow Hedges

The Company enters into cash flow hedges to protect non-functional currency inventory purchases and certain other operational expenses, in addition to its ongoing program of cash flow hedges to protect its non-functional currency revenues against variability in cash flows due to foreign currency fluctuations. The Company's foreign currency forward contracts that were designated as cash flow hedges generally have maturities between three and thirteen months. All hedging relationships are formally documented, and the hedges are designed to offset changes to future cash flows on hedged transactions at the inception of the hedge. The Company recognizes derivative instruments from hedging activities as either assets or liabilities on the balance sheet and measures them at fair value on a monthly basis. The Company records changes in the intrinsic value of its cash flow hedges in accumulated other comprehensive income on the Condensed Consolidated Balance Sheets, until the forecasted transaction occurs. Prior to the second quarter of 2018, interest charges or "forward points" on the forward contracts were excluded from the assessment of hedge effectiveness and were recorded in interest and other income, net in the Condensed Consolidated Statements of Operations. Commencing in the second quarter of 2018, interest charges or "forward points" on newly entered forward contracts are included in the assessment of hedge effectiveness, and are recorded in the underlying hedged items in the Condensed Consolidated Statements of Operations. When the forecasted transaction occurs, the Company reclassifies the related gain or loss on the cash flow hedge to revenue or costs, depending on the risk hedged. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the Company will reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income to interest and other income, net in its Condensed Consolidated Statements of Operations at that time. For the six months ended June 30, 2019 and July 1, 2018, the Company had a loss of $10.5 thousand and $0.5 million, which was related to cash flow hedges, recorded in other comprehensive income (loss), respectively.

The Company evaluates hedge effectiveness at the inception of the hedge prospectively as well as retrospectively and records any ineffective portion of the hedge in other income, net in its Condensed Consolidated Statements of Operations.

Designated Hedges

Total notional amounts of net outstanding contracts were as summarized below:

Buy / Sell	June 30, 2019	December 30, 2018
	(In millions)	
U.S. dollar / Japanese Yen	$43.9 / ¥4,710	$44.5 / ¥4,850
Japanese Yen / U.S. dollar	¥8,617 / $80.0	¥10,827 / $98.8

Non-designated hedges

Total notional amounts of net outstanding contracts were as summarized below:

Buy / Sell	June 30, 2019	December 30, 2018
	(In millions)	
EUR / U.S. dollar	€1.4 / $1.6	$9.1 / €8.0
U.S. dollar / Japanese Yen	$14.5 / ¥1,570	$13.2 / ¥1,430
Japanese Yen / U.S. dollar	¥3,800 / $34.9	¥4,210 / $38.0

In December 2017, the Company entered into fixed-for-floating interest rate forward swap agreements starting April 2018 with two counterparties to swap future variable interest payments on certain debt for fixed interest payments; these agreements will expire in July 2021. The objective of the swaps was to effectively fix the interest rate at current levels without having to refinance the outstanding term loan, thereby avoiding the incurrence of transaction costs. The aggregate notional amount of these interest rate swaps is $300 million. The interest rate on the variable debt was fixed in December 2017 and became effective in April 2018.

On January 3, 2018, the Company evaluated the hedge effectiveness of the interest rate swaps and designated these swaps as hedging instruments. Upon designation as cash flow hedge instruments, future changes in fair value of these swaps are recognized in accumulated other comprehensive income (loss).

In October 2018, the Company entered into fixed-for-floating interest rate forward swap agreements starting in July 2021 with two counterparties to swap future variable interest payments on existing debt for fixed interest payments; these agreements will expire in December 2024. The objective of the swaps was to effectively fix the future interest rate at the level currently available to avoid the uncertainty in financing cost for a portion of debt due to future interest rate fluctuations. The aggregate notional amount of these interest rate swaps is $300 million. The Company has evaluated the hedge effectiveness of the interest rate swaps and has designated these swaps as cash flow hedges of the debt with future changes in fair value of these swaps to be recognized in accumulated other comprehensive income (loss).

For the six months ended June 30, 2019 and July 1, 2018, the Company had a loss of $15.0 million and a gain of $4.7 million, which were related to these interest rate swaps, recorded in other comprehensive income, respectively.

The effect of derivative instruments on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2019 was as follows:

	Three Months Ended				Six Months Ended			
	June 30, 2019 (In thousands)							
	Revenue	Cost of Goods Sold	Operating Expenses	Interest Expense	Revenue	Cost of Goods Sold	Operating Expenses	Interest Expense
Total amounts of income and expense line items presented in the statement of financial performance in which the effects of fair value and cash flow hedges are recorded	532,221	333,463	185,272	12,311	1,071,225	670,058	355,865	25,889
Gain or (loss) on cash flow hedge relationships in Subtopic ASC 815-20:								
Interest rate contracts								
Amount of gain or (loss) reclassified from AOCI into income	—	—	—	315	—	—	—	729
Foreign exchange contracts								
Amount of gain or (loss) reclassified from AOCI into income	395	(464)	(90)	—	568	(591)	(48)	—

The gross fair values of derivative instruments on the Condensed Consolidated Balance Sheets as of June 30, 2019 and December 30, 2018 were as follows:

Balance Sheet location	June 30, 2019		December 30, 2018	
	Derivatives designated as hedging instruments	Derivatives not designated as hedging instruments	Derivatives designated as hedging instruments	Derivatives not designated as hedging instruments
	(In thousands)			
Other Current Assets				
Derivative Asset	$ 1,089	$ 529	$ 2,767	$ 725
Non-Current Assets				
Derivative Asset	$ —	$ —	$ 1,419	$ —
Other Current Liabilities				
Derivative Liability	$ 1,523	$ 231	$ 1,210	$ 411
Non-Current Liabilities				
Derivative Liability	$ 14,026	$ —	$ 4,051	$ —

NOTE 15. NET (LOSS) INCOME PER SHARE

The following table sets forth the computation of basic and diluted net (loss) income per share:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands, except per-share amounts)			
Net (loss) income attributable to Cypress	$ (12,729)	$ 27,706	$ 6,985	$ 36,784
Weighted-average common shares	365,600	358,577	364,842	356,123
Weighted-average diluted shares	365,600	371,967	377,195	370,402
Net (loss) income per share—basic	$ (0.03)	$ 0.08	$ 0.02	$ 0.10
Net (loss) income per share—diluted	$ (0.03)	$ 0.07	$ 0.02	$ 0.10

For the three months ended June 30, 2019 and July 1, 2018, approximately 23.1 million and 2.9 million weighted average potentially dilutive shares underlying outstanding stock-based awards and convertible debt, respectively, were excluded in the computation of diluted net (loss) income per share because their effect would have been anti-dilutive. For the six months ended June 30, 2019 and July 1, 2018, approximately 3.6 million and 2.6 million weighted average potentially dilutive shares underlying outstanding stock-based awards and convertible debt, respectively, were excluded in the computation of diluted net (loss) income per share because their effect would have been anti-dilutive.

NOTE 16. INCOME TAXES

The Company's income tax benefit / (expense) was $18.2 million and $(5.2) million for the three months ended June 30, 2019 and July 1, 2018, respectively. The Company's income tax benefit / (expense) was $18.9 million and $(10.2) million for the six months ended June 30, 2019 and July 1, 2018, respectively. The income tax benefit for the three and six months ended June 30, 2019 was primarily due to losses from continuing operations with a net discrete benefit during the period. Income tax expense for the three and six months ended July 1, 2018 was primarily attributable to non-U.S. taxes associated with the Company's non-U.S. operations.

A valuation allowance is established or maintained when, based on currently available information and other factors, it is more likely than not that all or a portion of the deferred tax assets will not be realized. We regularly assess our valuation allowance against deferred tax assets on a jurisdiction by jurisdiction basis. We consider all available positive and negative evidence, including future reversals of temporary differences, projected future taxable income, tax planning strategies and recent financial results. During the fourth quarter of 2018, the Company emerged from a cumulative loss position over the previous three years. The cumulative three-year pre-tax income is considered positive evidence which is objective and verifiable and thus received significant weighting. The continued pattern of income before tax, recent global restructuring executed in fiscal 2018 and projected future operating income in the U.S. was additional positive evidence. As a result, the Company released $343.3 million of the valuation allowance attributable to certain U.S. deferred tax assets during 2018. Based on management’s assessment of the realizability of deferred tax assets, there was no change to the previously recorded valuation allowances during the three months ended June 30, 2019.

Unrecognized Tax Benefits
Gross unrecognized tax benefits were $123.9 million and $121.9 million as of June 30, 2019 and December 30, 2018, respectively. As of June 30, 2019, and December 30, 2018, the amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate totaled $63.7 million and $65.8 million, respectively.

Management believes events that could occur in the next 12 months and cause a change in unrecognized tax benefits include, but are not limited to, the following:

- completion of examinations by the U.S. or foreign taxing authorities; and
- expiration of statutes of limitations on the Company's tax returns.

The calculation of unrecognized tax benefits involves dealing with uncertainties in the application of complex global tax regulations. Management regularly assesses the Company’s tax positions in light of legislative, bilateral tax treaty, regulatory and judicial developments in the countries in which the Company does business. Given the uncertainty in the development of ongoing tax examinations and tax correspondence with taxing authorities, it is possible that the Company’s balance of gross

unrecognized tax benefits could materially change in the next 12 months. As a result, the Company is unable to estimate the full range of possible adjustments to this balance.

Classification of Interest and Penalties

The Company's policy is to classify interest expense and penalties, if any, as components of the income tax provision in the Condensed Consolidated Statements of Operations. As of June 30, 2019 and December 30, 2018, the amounts of accrued interest and penalties totaled $13.5 million and $13.0 million, respectively.

NOTE 17. SEGMENT, GEOGRAPHICAL AND CUSTOMER INFORMATION

Segment Information

The Company designs, develops, manufactures and markets a broad range of solutions for embedded systems from the IoT, automotive, industrial, consumer electronics, and medical areas.

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision-maker ("CODM"), or decision-making group, in making decisions on how to allocate resources and assess performance. The CODM is considered to be the Chief Executive Officer.

The Company's segments are MCD (Microcontroller and Connectivity Division) and MPD (Memory Products Division).

Income Before Income Taxes

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
MCD	$ 31,606	$ 36,087	$ 48,354	$ 49,571
MPD	67,766	92,091	155,800	181,929
Unallocated items:				
Stock-based compensation expense	(30,480)	(33,908)	(50,875)	(52,366)
Restructuring charges	(3,021)	(1,239)	(3,117)	(5,335)
Amortization of intangible assets and other	(51,597)	(53,793)	(104,124)	(108,381)
Merger-related expenses	(8,409)	—	(8,409)	—
Impairment of assets held for sale	—	—	(3,532)	—
Changes related to debt extinguishment	—	—	—	630
Changes in value of deferred compensation plan	(244)	(18)	(843)	(435)
Gain on sale of cost method investment	—	1,521	—	1,521
Other adjustments	(4,138)	(4,038)	(9,198)	(12,823)
Income from operations before income taxes	$ 1,483	$ 36,703	$ 24,056	$ 54,311

The Company does not allocate stock-based compensation, changes in value of deferred compensation plan, restructuring charges, merger-related expenses, amortization of intangible assets and certain other expenses to its segments.

Geographical Information

Property, plant and equipment, net, excluding finance leases, by geographic locations were as follows:

	As of	
	June 30, 2019	December 30, 2018
	(In thousands)	
United States	$ 154,427	$ 173,973
Philippines	36,179	33,413
Thailand	32,512	34,581
Japan	11,065	11,251
Other	26,006	29,768
Total property, plant and equipment (excluding finance leases), net	$ 260,189	$ 282,986

The Company tracks its assets by physical location. Although management reviews asset information on a corporate level and allocates depreciation expense by segment, the Company's CODM does not review asset information on a segment basis.

Customer Information

Outstanding accounts receivable from two of the Company's distributors accounted for 17.5% and 13.1% of its consolidated accounts receivable as of June 30, 2019. Outstanding accounts receivable from one of the Company's distributors accounted for 25.0% of its consolidated accounts receivable as of December 30, 2018.

Revenue from sales to two of the Company's distributors accounted for 17.6% and 16.4% of its consolidated revenues for the three months ended June 30, 2019. Revenue from sales to two of the Company's distributors accounted for 17.2% and 15.9% of its consolidated revenues for the six months ended June 30, 2019. No other distributors or customers accounted for 10% or more of the Company's consolidated revenues for the three months or six months ended June 30, 2019.

Revenue from sales to two of the Company's distributors accounted for 18.9% and 12.7% of its consolidated revenues for the three months ended July 1, 2018. Revenue from sales to two of the Company's distributors accounted for 19.1% and 13.1% of its consolidated revenues for the six months ended July 1, 2018. No other distributors or customers accounted for 10% or more of the Company's consolidated revenues for the three months or six months ended July 1, 2018.

NOTE 18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive loss, net of tax, by components are as follows (in thousands):

	Accumulated net unrealized income (loss) on cash flow hedges and other	Accumulated unrecognized gain (loss) on the Defined Benefit Plan	Accumulated other comprehensive income (loss)
Balance as of December 30, 2018	$ (763)	$ 2,592	$ 1,829
Other comprehensive income (loss) before reclassification	(5,938)	—	(5,938)
Amounts reclassified to operating income	(502)	—	(502)
Net unrealized gain (loss) on the defined benefit plan	—	(13)	(13)
Balance as of March 31, 2019	$ (7,203)	$ 2,579	$ (4,624)
Other comprehensive income (loss) before reclassification	$ (6,963)	$ —	$ (6,963)
Amounts reclassified to operating income	(156)	—	(156)
Net unrealized gain (loss) on the defined benefit plan	—	(928)	(928)
Balance as of June 30, 2019	$ (14,322)	$ 1,651	$ (12,671)

NOTE 19. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company purchases from, or sells to (a) entities for which one of the Company's directors or executive officers serves as a director or (b) entities that are otherwise affiliated with one of the Company's directors or executive officers (collectively, "related parties").

For the indicated periods, the following table presents information on the Company's transactions with such entities occurring at a time when the other entity was a related party of the Company:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Total revenues	$ 3,525	$ 8,679	$ 3,646	$ 11,955
Total purchases	$ 2,763	$ 21,257	$ 4,764	$ 37,346

As of June 30, 2019, and July 1, 2018, amounts due from these parties totaled $13.4 million and $2.4 million, respectively, and amounts due to these parties totaled $2.2 million and $6.5 million, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties, which are discussed in the "Cautionary Note Regarding Forward-Looking Statements" section in Part I of this Quarterly Report on Form 10-Q.

Overview

Cypress manufactures and sells advanced embedded system solutions for IoT, automotive, industrial, and consumer applications. Cypress' microcontrollers, analog ICs, wireless and wired connectivity solutions and memories help engineers design differentiated products and help with speed to market. Cypress is committed to providing customers with quality support and engineering resources.

Proposed Merger

Refer to Note 2 (Merger Agreement) of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report for a description of our pending acquisition by Infineon Technologies AG ("Infineon").

Business Segments

We continuously evaluate our reportable business segments in accordance with the applicable accounting guidance. We currently operate under two reportable business segments: Microcontroller and Connectivity Division ("MCD") and Memory Products Division ("MPD").

Business Segments	Description
Microcontroller and Connectivity Division	MCD focuses on connectivity and computing solutions for the Internet of Things and automotive solutions that enhance the in-cabin user experience. MCD offerings include robust wireless and wired connectivity solutions that combine with flexible, high-performance microcontroller ("MCU") and analog solutions, backed with a focus on superior design software. The portfolio includes Wi-Fi® and Bluetooth® and Bluetooth Low Energy (BLE), and Wi-Fi plus Bluetooth combo solutions; Traveo™ automotive MCUs, PSoC® programmable MCUs and general-purpose MCUs; CapSense® capacitive-sensing controllers and automotive TrueTouch® touchscreen solutions; a broad line of USB controllers, including solutions for the USB-C and USB Power Delivery standards; and analog PMIC Power Management ICs. This division also includes our intellectual property ("IP") business.
Memory Products Division	MPD focuses on fail-safe storage and datalogging solutions for mission critical applications. The portfolio includes specialized, high-performance parallel and serial NOR flash memories, static random access memories ("SRAM"), F-RAM™ ferroelectric memory devices, nonvolatile SRAMs ("nvSRAM"), and other specialty memories. This division also includes our nonvolatile DIMM subsidiary AgigA Tech, Inc.

Business Strategy

Refer to Part I, Item 1 (Business) in our Annual Report on Form 10-K for the year ended December 30, 2018 for a discussion of our strategies.

As we continue to implement our strategies, there are many internal and external factors that could impact our ability to meet any or all of our objectives. Some of these factors are discussed in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 30, 2018 as well as in Part II, Item 1A (Risk Factors) in this Quarterly Report on Form 10-Q.

Results of Operations

Revenues

Our total revenue decreased by $91.9 million, or 14.7%, to $532.2 million in the three months ended June 30, 2019 compared to the same period in the prior year. Revenue from the NAND flash business which was divested on April 1, 2019 was $49.5 million in the three months ended July 1, 2018. Excluding the impact of the NAND flash business divestiture, our total revenues decreased by $42.4 million, or 7.4%, to $532.2 million for the three months ended June 30, 2019 compared to the same period in the prior year. The decrease was primarily due to demand softening across our NOR flash, microcontroller and wireless connectivity businesses.

Our total revenues decreased by $135.1 million, or 11.2%, to $1,071.2 million in the six months ended June 30, 2019 compared to the same period in the prior year. The decrease was attributable in part to the divestiture of our NAND flash business, which was completed on April 1, 2019. Revenue from the NAND flash business decreased by $63.4 million to $31.1 million in the six months ended June 30, 2019 compared to the same period in the prior year. The remainder of the decrease was primarily due to demand softening across our NOR flash, microcontroller and wireless connectivity businesses.

The following table summarizes our consolidated revenues by segment:

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Microcontroller and Connectivity Division ("MCD")	$ 354,225	$ 368,526	$ 664,615	$ 705,236
Memory Products Division ("MPD")	177,996	255,564	406,610	501,095
Total revenues	$ 532,221	$ 624,090	$ 1,071,225	$ 1,206,331

Microcontroller and Connectivity Division:

Revenues recorded by MCD decreased by $14.3 million, or 3.9%, in the three months ended June 30, 2019 compared to the same prior year period. The decrease was primarily due to a decline in demand for microcontroller and wireless connectivity products.

Revenues recorded by MCD decreased by $40.6 million, or 5.8%, in the six months ended June 30, 2019 compared to the same prior year period. The decrease was primarily due to a decline in demand for microcontroller and wireless connectivity products.

Memory Products Division:

Revenues recorded by MPD decreased by $77.6 million, or 30.4%, in the three months ended June 30, 2019 compared to the same prior year period. The decrease was primarily due to the divestiture of our NAND flash business, which was completed on April 1, 2019, and due to a decline in revenue from NOR flash products. Revenue from the divested NAND flash business was $49.5 million in the three months ended July 1, 2018.

Revenues recorded by MPD decreased by $94.5 million, or 18.9%, in the six months ended June 30, 2019 compared to the same prior year period. The decrease was primarily due to a decline in demand for NAND flash and NOR flash products, and the divestiture of our NAND flash business, which was completed on April 1, 2019. Revenue from the NAND flash business decreased by $63.4 million to $31.1 million in the six months ended June 30, 2019 compared to the same period in the prior year.

Gross Profit & Margin

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Revenues	$ 532,221	$ 624,090	$ 1,071,225	$ 1,206,331
Less: Cost of revenues	333,463	389,952	670,058	759,801
Gross profit	$ 198,758	$ 234,138	$ 401,167	$ 446,530
Gross margin (%)	37.3%	37.5%	37.4%	37.0%

Our gross margin decreased to 37.3% in the three months ended June 30, 2019 from 37.5% in the three months ended July 1, 2018. A primary driver was the decrease in revenue in the second quarter of fiscal 2019 compared to the same period a year ago causing an increase in amortization expense from intangible assets as a percentage of revenue. Amortization of intangible assets included in cost of revenue was $46.9 million or 8.8% of revenues in the second quarter of fiscal 2019 compared to $48.1 million or 7.7% of revenues in the second quarter of fiscal 2018. In addition, sale of inventory that was previously written off or written down decreased in the second quarter of fiscal 2019 compared to the same period a year ago. Gross margins in the second quarters of fiscal 2019 and 2018 benefited 0.7% and 1.2%, respectively, from the sale of previously reserved inventory. The above unfavorable items impacting gross margin were partially offset by certain items which improved gross margin recorded in the second quarter of fiscal 2019 compared to same period in 2018. These favorable items included a shift in the product mix towards higher density memory products, a decrease in sales of commoditized products, and a reduction in the cost of certain products.

Our gross margin improved to 37.4% in the six months ended June 30, 2019 from 37.0% in the six months ended July 1, 2018.
The primary drivers of the improvement in gross margin were a shift in the product mix towards higher density memory products, a decrease in sales of commoditized products, which was due in part to the divestiture of the NAND business effective the second quarter of fiscal 2019, and a reduction in the cost of certain products. This improvement was partially offset by a decrease in the sale of inventory that was previously written off or written down for the six months ended June 30, 2019 as compared to the same prior year period. Gross margins in the six months ended June 30, 2019 and July 1, 2018 benefited 0.7% and 1.2%, respectively, from the sale of previously reserved inventory. Included in cost of revenues are amortization of intangible assets of $93.8 million and $96.2 million for the six months ended June 30, 2019 and July 1, 2018, respectively.

Research and Development ("R&D") Expenses

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
R&D expenses	$ 93,639	$ 96,693	$ 182,245	$ 189,926
As a percentage of revenues	17.6%	15.5%	17.0%	15.7%

R&D expenses decreased by $3.1 million in the three months ended June 30, 2019 compared to the same period of the prior year. The decrease was mainly attributable to $5.2 million in lower labor costs due to decreases in variable compensation expenses and a $1.5 million decrease in stock-based compensation. These decreases were partially offset by a $1.3 million increase in restructuring charges, a $0.8 million increase in software expenses, and a $0.8 million increase in outside service provider costs.

R&D expenses decreased by $7.7 million in the six months ended June 30, 2019 compared to the same period of the prior year. The decrease was mainly attributable to $12.3 million in lower labor costs due to decreases in variable compensation expenses and a $1.5 million decrease in stock-based compensation. These decreases were partially offset by a $2.1 million increase in deferred compensation expenses, a $1.7 million increase in software expenses, a $1.6 million increase in outside service provider costs, and a $1.0 million increase in restructuring charges.

Selling, General and Administrative ("SG&A") Expenses

	Three Months Ended		Six Months Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
SG&A expenses	$ 91,633	$ 86,599	$ 173,620	$ 169,996
As a percentage of revenues	17.2%	13.9%	16.2%	14.1%

SG&A expenses increased by $5.0 million in the three months ended June 30, 2019 compared to the same period of the prior year. The increase was mainly due to $8.4 million in merger-related expenses associated with our proposed merger with Infineon, and a $1.0 million increase in restructuring charges. These increases were partially offset by a $2.3 million decrease in third-party commission expenses, a $0.9 million decrease in professional fees, and a $0.8 million decrease in stock-based compensation expense.

SG&A expenses increased by $3.6 million in the six months ended June 30, 2019 compared to the same period of the prior year. The increase was mainly due to $8.4 million in merger-related expenses associated with our proposed merger with Infineon, a $2.1 million increase in stock-based compensation expense, and a $1.5 million increase primarily due to incremental loss related to adjustments in certain assets and transition services. These increases were partially offset by a $4.9 million decrease in third-party commission expenses, and a $3.3 million decrease in professional fees.

Income Taxes

Our income tax benefit / (expense) was $18.2 million and $(5.2) million for the three months ended June 30, 2019 and July 1, 2018, respectively. Our income tax benefit / (expense) was $18.9 million and $(10.2) million for the six months ended June 30, 2019 and July 1, 2018, respectively. The income tax benefit for the three and six months ended June 30, 2019 was primarily due to losses from continuing operations with a net discrete benefit during the period. Income tax expense for the three and six months ended July 1, 2018 was primarily attributable to non-U.S. taxes associated with the Company's non-U.S. operations.

Impairment of Equity-Method Investment in Deca Technologies, Inc.

In the second quarter of fiscal 2019, we recorded a $29.5 million impairment charge for the equity-method investment in Deca Technologies, Inc. ("Deca"). The carrying value of our investment in Deca was $28.6 million and $65.1 million as of June 30, 2019 and December 30, 2018, respectively. There continues to be a substantial risk that the carrying value of this investment may be further impaired in the future as described in Note 7 (Equity-Method Investments) of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report. Deca will likely need to secure additional funding to support its growth and cash needs. Failure to secure such funding will impact its ability to continue as a going concern.

Liquidity and Capital Resources

Our Revolving Credit Facility had a capacity of $540 million which was undrawn as of June 30, 2019.

On July 31, 2019, we amended our existing Revolving Credit Facility thereby increasing the available amount from $540 million to $700 million and extending its maturity from March 12, 2020 to January 31, 2021. We may, at our sole discretion, extend the maturity for another six months to July 31, 2021. The financial covenants were amended to increase the maximum total leverage ratio from 3.75 to 4.0. We borrowed $447 million under the amended Revolving Credit Facility and repaid the entire outstanding Term Loan B principal balance of approximately $448 million as of July 31, 2019, resulting in extinguishment of Term Loan B, which was otherwise scheduled to mature on July 5, 2021.

The following table summarizes information regarding our cash and cash equivalents and working capital:

	As of	
	June 30, 2019	December 30, 2018
	(In thousands)	
Cash and cash equivalents	$ 372,180	$ 285,720
Working capital, net	$ 506,146	$ 396,208

Key Components of Cash Flows

	Six Months Ended	
	June 30, 2019	July 1, 2018
	(In thousands)	
Net cash provided by operating activities	$ 180,171	$ 142,412
Net cash used in investing activities	$ (11,197)	$ (21,386)
Net cash used in financing activities	$ (82,514)	$ (159,904)

Operating Activities

Net cash provided by operating activities during the six months ended June 30, 2019 was $180.2 million as compared to $142.4 million in the six months ended July 1, 2018. Net income recorded during the six months ended June 30, 2019 was $7.0 million which included net non-cash items of $246.1 million. The non-cash items primarily consisted of:

- depreciation and amortization of $142.7 million;
- stock-based compensation expense of $50.9 million;
- impairment of investment in Deca of $29.5 million;
- accretion of interest expense on senior exchangeable notes and amortization of debt and financing costs on other debt of $9.4 million;
- restructuring costs and other adjustments of $4.0 million; and
- loss related to assets held for sale of $3.5 million.

Cash from operations in the six months ended June 30, 2019 was impacted by a $72.9 million increase in operating assets and liabilities. The net increase of $72.9 million in operating assets and liabilities for the six months ended June 30, 2019 was primarily due to the following:

- $53.8 million in operating lease right-of-use assets recorded upon adoption of ASC 842, partially offset by $50.2 million of operating lease liability;
- an increase in inventories of $38.4 million primarily due to inventory builds to support certain supplier transitions;
- a decrease of $21.6 million in price adjustments and other revenue reserves for sales to distributors due to a decrease in revenue during the six months of 2019; and
- a decrease in accounts payable and accrued and other liabilities of $66.6 million mainly due to timing of payments to vendors;
- partially offset by a decrease in accounts receivable of $56.5 million due to timing of invoicing and collections. Days sales outstanding for the six months ended June 30, 2019 was 46 days as compared to 59 days in the six months ended July 1, 2018.

Investing Activities

During the six months ended June 30, 2019, we used approximately $11.2 million of cash in our investing activities primarily due to:

- property and equipment expenditures of $18.0 million relating to purchases of certain manufacturing facility equipment; and
- cash paid for equity method investments of $2.4 million;
- partially offset by 6.3 million in net distributions for the deferred compensation plan; and
- proceeds of $2.9 million from the sale of inventories to SkyHigh.

Financing Activities

During the six months ended June 30, 2019, we used approximately $82.5 million of cash in our financing activities, primarily related to:

- dividend payments of $79.9 million;

- payments of $27.5 million on Term Loan B;
- payments of $6.1 million on net shares settlement of restricted stock units; and
- payments of $0.8 million on finance lease liabilities;
- partially offset by proceeds of $31.9 million from employee equity awards.

Liquidity and Contractual Obligations

Contractual Obligations

The following table summarizes our contractual obligations as of June 30, 2019:

	Total	2019 (Remaining 6 months)	2020 and 2021	2022 and 2023	After 2023
			(In thousands)		
Purchase obligations (1)	$ 275,532	$ 67,003	$ 150,539	$ 57,990	$ —
Operating lease commitments	61,613	7,936	23,818	10,983	18,876
Finance lease commitments	11,183	1,121	4,366	4,259	1,437
Term Loan B	448,785	2,525	446,260	—	—
2% Exchangeable Senior Notes due 2020	11,990	—	11,990	—	—
4.5% Convertible Senior Notes due 2022	287,500	—	—	287,500	—
2% Convertible Senior Notes due 2023	150,000	—	—	150,000	—
Interest and commitment fee due on debt (2)	85,390	18,196	56,225	10,969	—
Asset retirement obligations	6,039	1,637	4,058	344	—
Total contractual obligations (3)	$ 1,338,032	$ 98,418	$ 697,256	$ 522,045	$ 20,313

(1) Purchase obligations primarily include commitments under "take or pay" arrangements, non-cancelable purchase orders for materials, services, manufacturing equipment, building improvements and supplies in the ordinary course of business. Purchase obligations are defined as enforceable agreements that are legally binding on us and that specify all significant terms, including quantity, price and timing.

(2) Interest and commitment fees due on variable debt is based on the effective interest rates as of June 30, 2019.

(3) Total contractual obligations do not include transaction fees of approximately $63 million which are contingently payable upon the completion of the proposed Merger with Infineon. If the proposed Merger does not close under circumstances in which we receive a reverse break-up fee, transaction fees of approximately $22.2 million are contingently payable by us.

Capital Resources and Financial Condition

As of June 30, 2019, our cash, cash equivalents and short-term investment balance was $372.2 million as compared to $285.7 million as of December 30, 2018. As of June 30, 2019, approximately 12.0% of our cash and cash equivalents were held by our non-U.S. subsidiaries. While these amounts are primarily denominated in U.S. dollars, a portion is denominated in foreign currencies. All non-U.S. cash balances are exposed to local political, banking, currency control, and other risks. In addition, these amounts, if repatriated, may be subject to tax and other transfer restrictions.

We believe that the liquidity provided by existing cash, cash equivalents, and our borrowing arrangements will provide sufficient capital to meet our requirements for at least the next twelve months. However, should economic conditions and/or financial, business and other factors beyond our control adversely affect the estimates of our future cash requirements, we could be required to fund our cash requirements by alternative financing. There can be no assurance that additional financing, if needed, would be available on terms acceptable to us or at all. In addition, we may choose at any time to raise additional capital or debt to strengthen our financial position, facilitate growth, pursue strategic initiatives (including the acquisition of other

companies) and provide us with additional flexibility to take advantage of other business opportunities that arise. As of June 30, 2019, we were in compliance with all of the financial covenants under all of our debt facilities.

Critical Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q and the data used to prepare them. Our Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and we are required to make estimates, judgments and assumptions in the course of such preparation. Note 1 of the Notes to Condensed Consolidated Financial Statements under Part I, Item 1 describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. On an ongoing basis, we re-evaluate our judgments and estimates including those related to revenue recognition, allowances for doubtful accounts receivable, inventory valuation, valuation of long-lived assets, goodwill and financial instruments, stock-based compensation, settlement costs, and income taxes. We base our estimates and judgments on historical experience, knowledge of current conditions and our beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions.

As discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 30, 2018, we consider the following accounting policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements:

- Estimation of price adjustment reserves related to sales to distributors which impacts revenue recognition;
- Assessment of excess and obsolete inventory which impacts valuation of Inventories;
- Estimation of fair value of investments in equity interests;
- Valuation of certain awards that contain market based vesting condition which impacts our share-based compensation expense;
- Actuarial valuation of certain defined benefit plans; and
- Estimation of exposure related to uncertain tax positions which impacts our accounting for Income Taxes.

As discussed in Note 1, we adopted ASC Topic 842 on December 31, 2018. There have been no other changes to our critical accounting policies and estimates since the filing of our Annual Report on Form 10-K for the year ended December 30, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risks

Our investment portfolio consists of a variety of financial instruments that expose us to interest rate risk, including, but not limited to, money market funds, and certificates of deposit. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate increase in interest rates would have a material effect on the fair market value of our portfolio.

Our debt obligations consist of a variety of financial instruments that expose us to interest rate risk, including, but not limited to our revolving credit facility, term loans and exchangeable notes. Interest on the exchangeable notes is fixed and interest on our term loans is at variable rates. The interest rate on the term loans is tied to short-term interest rate benchmarks including the prime rate and the London inter-bank offered rate, or LIBOR.

A one hundred basis point change in the contractual interest rates would change our interest expense for the Revolving Credit Facility and Term Loan B by approximately $1.5 million annually.

Our long-term operating results and cash flows may be materially affected to a significant degree by a sudden change in market interest rates.

Foreign Currency Exchange Risk

We operate and sell products in various global markets and purchase capital equipment using foreign currencies but predominantly the U.S. dollar. We are exposed to certain risks associated with changes in foreign currency exchange rates in the Japanese yen, the Euro and other foreign currencies.

For example:

- sales of our products to Japanese distributors are denominated in U.S. dollars, Japanese yen and Euros;
- some of our manufacturing costs and operating expenses are denominated in Japanese yen, and other foreign currencies such as the Thai Baht, Philippine Peso and Malaysian Ringgit; and
- some fixed asset purchases and sales are denominated in other foreign currencies.

Consequently, movements in exchange rates could cause our revenues and our expenses to fluctuate, affecting our profitability and cash flows. We use foreign currency forward contracts to reduce our foreign exchange exposure on our foreign currency denominated assets and liabilities. We also hedge a percentage of our forecasted revenue denominated in Japanese yen with foreign currency forward contracts. The objective of these contracts is to mitigate the impact of foreign currency exchange rate movements to our operating results on a short-term basis. We do not use these contracts for speculative or trading purposes.

To provide an assessment of the foreign currency exchange risk associated with our foreign currency exposures within our operations, we performed a sensitivity analysis to determine the impact that an adverse change in exchange rates would have on our financial statements. If the U.S. dollar weakened by 10%, our operating margin could be unfavorably impacted by approximately 2%. We expect our hedges of foreign currency exposures to be highly effective and offset a significant portion of the short-term impact of changes in exchange rates on the hedged portion of our exposures. Please see Note 14 of the Notes to Condensed Consolidated Financial Statements for details on the hedge contracts.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2019, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this item is included in Note 13 of the Notes to Condensed Consolidated Financial Statements in Part I Item 1, of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties discussed in Part I, Item 1A (Risk Factors) of our Annual Report and in this Quarterly Report, any of which could materially affect our business, financial condition, and/or future results. Part I, Item 1A of our Annual Report is incorporated herein by reference. The risk factors in our Annual Report are not repeated in this Quarterly Report, unless the underlying risks have materially changed. The risks described in our Annual Report and this Quarterly Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial could materially and adversely affect our business, financial condition and/or future results.

The announcement and pending agreement to be acquired by Infineon may adversely affect our business, financial condition, results of operations, cash flows, and stock price.

Uncertainty about the effect of our pending acquisition (the "Merger") by Infineon Technologies AG ("Infineon") on our employees, partners, customers, and other third parties may disrupt our sales and marketing or other key business activities and may have a material adverse effect on our business, financial condition, results of operations, cash flows, and stock price. We are subject to risks in connection with the announcement and pendency of the Merger including the following:

- the uncertainty of the pending acquisition may cause our existing customers to investigate alternatives and/or switch to alternate suppliers;
- other parties with whom we have business relationships may experience uncertainty as to the future of those relationships and may delay or defer certain business decisions, seek alternative relationships with third parties, or seek to alter their present business relationships with us;
- parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties instead of us;
- current and prospective employees may experience uncertainty about their roles following the Merger and we might not be able to attract, recruit, retain, and motivate key talent, including senior leaders, to the same extent that we have previously been able to attract, recruit, retain, and motivate employees;
- legal proceedings challenging the Merger may divert management time and attention, may require us to incur significant attorneys fees and other expenses, and may result in unfavorable outcomes that could delay or prevent the Merger from being completed;
- restrictions in the Agreement and Plan of Merger dated June 3, 2019, by and among Infineon, its subsidiary IFX Merger Sub, Inc., and the Company (the "Merger Agreement") may prevent us from pursuing opportunities without Infineon’s approval or taking other actions that we might have undertaken in the absence of the Merger, and may affect our ability to execute our business strategies, respond effectively to competitive pressures and industry developments, and attain our financial and other goals (including with respect to our current and prospective employees and parties with whom we have or seek to establish business relationships);
- restrictions in the Merger Agreement on our ability to pursue alternative transactions to the Merger could, in specified circumstances, require us to pay Infineon a termination fee of $330 million, and could otherwise discourage or deter a third party from considering or proposing an alternative transaction with us; and
- we have diverted, and will continue to divert, significant management and other internal resources towards the completion of the Merger.

Any failure of our pending acquisition by Infineon to be completed may adversely affect our business, financial condition, results of operations, cash flows and stock price.

We face a risk that the proposed acquisition of the Company by Infineon might not be completed. Each of our and Infineon's obligations to complete the Merger is subject to a number of conditions specified in the Merger Agreement, including, among others: (i) the adoption of the Merger Agreement by the holders of a majority of the outstanding shares of Cypress common stock; (ii) the absence of any law prohibiting or order preventing the completion of the Merger; (iii) the receipt of clearance from the Committee on Foreign Investment in the United States, the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of any applicable clearance or affirmative approval by the Anti-Monopoly Bureau of the State Administration for Market Regulation in the People's Republic of China, approval from the European Commission under the European Merger Regulation, and the expiration of any applicable waiting periods or any applicable authorizations or affirmative approvals of certain other non-U.S. governmental authorities under antitrust laws; (iv) the absence of a material adverse effect with respect to Cypress; and (v) compliance in all material respects on the part of each of Cypress and Infineon with such party's covenants under the Merger Agreement. There can be no assurance that these conditions to the completion of the Merger will be satisfied in a timely manner or at all. If the Merger is not completed, Cypress's stockholders will not receive the proposed Merger consideration.

Regulatory and governmental entities may impose conditions on the granting of the required regulatory clearances and approvals described above. In that case, lengthy negotiations may ensue among these regulatory or governmental entities, Infineon and us, which could delay the closing (and any receipt of Merger consideration) and increase the risk that the merger might not be completed.

If the Merger is not completed, our share price could fall to the extent that our current share price reflects an assumption that the Merger will be completed. Furthermore, if the Merger is not completed, we may suffer other consequences that could adversely affect our business, financial condition, results of operations, cash flows, and stock price, including the following:

- we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the Merger, and these fees and costs are payable by us regardless of whether the Merger is completed;
- the failure of the Merger to be completed may result in adverse publicity and a negative impression of us in the financial markets and investment community, and negative responses from customers, partners and other third parties;
- legal proceedings may be instituted against us, our directors and others relating to the transactions contemplated by the Merger Agreement;
- any disruptions to our business resulting from the announcement and pendency of the acquisition, including any adverse changes in our relationships with our customers, vendors and employees, may continue or intensify in the event the Merger is not completed;
- we could be required to pay a termination fee of up to $330 million to Infineon under certain circumstances as described in the Merger Agreement; and
- we may not be able to take advantage of alternative business opportunities or effectively respond to competitive pressures.

Our joint venture for NAND flash memory products might not be successful.

On April 1, 2019, we launched a joint venture in Hong Kong with SK hynix system ic Inc. ("SKHS"), which is a wholly-owned subsidiary of SK hynix Inc. ("SKH"), a South Korean company. The joint venture entity, SkyHigh Memory Limited ("SkyHigh"), is controlled by SKHS. We contributed our NAND flash memory business to the joint venture. NAND is a commoditized product line that has traditionally experienced volatile sales results with low gross margins. Upon launch, SkyHigh entered into a wafer supply agreement with SKH, and back-end manufacturing and transition services agreements with Cypress.

Although we expect to have influence over SkyHigh's operations, they are not under our control and we might be unaware of, or unable to correct, any operating or product issues that may develop. Any failure by SkyHigh to satisfy customer expectations could adversely impact our own relationships with such customers and/or the reputation of our brand. Any failure by SkyHigh to meet its commitments to Cypress under our back-end manufacturing agreement could cause Cypress's assembly

and testing facilities to be underutilized and could adversely affect Cypress's operating margins. In addition, there can be no assurance that the joint venture will be profitable. We therefore face a risk that our investment might not generate meaningful cash flows to re-invest, for example, in higher-margin areas of our business. The success of this joint venture investment will depend on various other factors over which we may have limited or no control and will require ongoing and effective cooperation with SKHS, which might be difficult to maintain. Such risks could be exacerbated by unfavorable financial market and macroeconomic conditions, causing the value of this joint venture investment to decline and leading to impairment charges. Any failure to realize the anticipated benefits of the joint venture could adversely affect our stock price.

Our financial results could be adversely impacted if privately-held companies in which we have invested fail to launch new products or maintain key customer relationships.

We have invested in certain privately-held companies. There can be no guarantee that such businesses will perform as initially expected, launch new products and solutions as initially expected, or gain or maintain market acceptance. When the value of a privately-held investment declines, we may be required to record an impairment of the investment's carrying value on our books. For example:

- During the fourth quarter of fiscal 2017, we determined that our investment in Enovix Corporation, which is accounted for as an equity method investment, was other-than temporarily impaired as Enovix did not achieve key planned product development milestones. Consequently, we recognized an impairment charge of $51.2 million related to our investment in Enovix, reducing its carrying value on our books to zero.

- During the fourth quarter of fiscal 2018, we determined that our investment in Deca Technologies Inc. ("Deca") was other-than temporarily impaired due to significant delays in Deca's commercialization and achievement of scalable production of certain key products, and consequently we recognized an impairment charge of $41.5 million to write down the carrying value of our investment in Deca to $65.1 million (the estimated fair value of our investment as of the end of fiscal 2018).

- During the second quarter of fiscal 2019, we determined that our investment in Deca had become further impaired due to a significant reduction in orders from Deca's key customers, and based on other objective indicators of enterprise value. Consequently, we recognized an additional impairment charge of $29.5 million to write down the carrying value of our investment in Deca to $28.6 million (the estimated fair value of our investment as of June 30, 2019).

If these or any of our other privately-held businesses fail to introduce new products and solutions or successfully develop new technologies, or if their customers do not successfully introduce new systems or products incorporating the products or solutions offered by these businesses, or if market demand for the products or solutions offered by these businesses is not created or sustained, or if these or any of our other privately-held businesses are not able to raise capital to fund their operations, then we might fail to realize any benefit from our investments in such privately-held companies and our business, financial condition, and results of operations could be materially harmed as a result of impairment of the carrying value of such investments.

In particular, there is a substantial risk that the carrying value of our investment in Deca may become further impaired. Deca’s current and future revenues are dependent on a small number of significant customers. The loss of, material delay in placing orders by, or significant decrease in demand from, any of Deca's key customers would have a material adverse effect on Deca’s business, results of operations, and financial condition. As a result of declining orders in the second quarter of 2019, Deca will likely need to secure additional funding to support its growth and cash needs. Failure to secure such funding, if needed, will impact its ability to continue as a going concern. Deca's management is currently in the process of evaluating certain strategic alternatives. If Deca is unable to (a) secure sufficient orders from its existing significant customers or new customers, (b) raise sufficient funding, if needed, for continuing its operations, or (c) complete a strategic transaction that allows realization of its economic value, we may be required to record further impairment charges to partially or fully write down the carrying value of our investment in Deca. As of June 30, 2019, the carrying value of our investment in Deca was $28.6 million.

The exchange or conversion, as applicable, of the Spansion Notes and the 2022 Notes could dilute the ownership interest of our existing stockholders and negatively impact our financial position.

The exchange or conversion, as applicable, of some or all of Spansion's 2% Exchangeable Senior Notes due 2020 (the "Spansion Notes") or our 4.5% Convertible Senior Notes due 2022 (the "2022 Notes") could dilute the ownership interest of our existing stockholders and negatively impact our financial position. The Spansion Notes and the 2022 Notes are each exchangeable or convertible, as applicable, into shares of the Company’s common stock at the election of the holders of such

series of notes upon the occurrence of certain conditions specified in the indenture governing such series of notes, including during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the exchange or conversion price of the applicable series of notes on each applicable trading day (the "sales price condition"). Any exchange or conversion, as applicable, of the Spansion Notes or 2022 Notes may be settled in cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, in each case at our election.

The sales price condition for the Spansion Notes and the 2022 Notes was met on the last trading day of the Company's fiscal quarter ended June 30, 2019 and, as a result, holders of the Spansion Notes and the 2022 Notes, as applicable, may, at their option, exchange or convert, as applicable, their notes during the Company's fiscal quarter ending September 29, 2019. If we elect to settle all or any portion of such exchanges or conversions of Spansion Notes or 2022 Notes, as applicable, in shares of our common stock, any sales in the public market of such common stock issued upon such exchange or conversion, as applicable, could adversely affect prevailing market prices of our common stock. Additionally, if we elect to settle all or any portion of such exchanges or conversions of Spansion Notes or 2022 Notes, as applicable, in cash, such payments of cash would reduce our available cash and negatively impact our liquidity.

Uncertainty about the continuing availability of LIBOR may adversely affect our business, financial condition, results of operations, and cash flows.

Borrowings under our revolving credit facility may, at our option, bear interest at a floating rate based on the London Inter-bank Offered Rate ("LIBOR"). We also have entered into fixed-for-floating interest rate forward swap agreements to manage our exposure to fluctuations in the LIBOR benchmark interest rate. As described in Note 14 (Foreign Currency and Interest Rate Derivatives) to the Condensed Consolidated Financial Statements in Part I of this Quarterly Report, we pay the counterparties to these swap agreements a fixed rate in return for a LIBOR-based floating rate, which we use to fund payments under our revolving credit facility. The aggregate notional amount of these swap agreements is $300 million.

In July 2017, the United Kingdom's Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that after December 31, 2021, it would no longer compel banks to submit the rates required to calculate LIBOR. We cannot predict the effect of the FCA's decision not to sustain LIBOR or, if changes ultimately are made to LIBOR, the effect those changes may have on the interest we pay on our revolving credit facility and the payments we receive under our interest rate forward swap agreements.

In anticipation of LIBOR's discontinuation, our revolving credit agreement, as amended on July 31, 2019, provides a transition mechanism to a LIBOR-replacement rate to be mutually agreed upon by us and our lenders. There can be no assurance, however, that we will be able to reach an agreement with our lenders on any such replacement benchmark before experiencing adverse effects due to changes in interest rates, if at all. In addition, any such changes under the revolving credit facility may result in interest rates and/or payments that are higher or lower than payments we presently are obligated to make under our revolving credit facility. We also may seek to amend our swap agreements to replace the benchmark rate. There can be no assurance, however, that the counterparties to those agreements will agree to a replacement rate, and any such changes to the swap agreements may result in us receiving payments that are higher or lower than the payments we are entitled to receive under our existing swap agreements. There also can be no assurance that (a) the amounts we are entitled to receive under the swap agreements will continue to be correlated with the amounts we are required to pay under the revolving credit facility or (b) transitions to new benchmarks will be concurrent across our various agreements, the failure of either or both of which could diminish the swaps' effectiveness as hedging instruments. Any of these risks could adversely affect our business, financial condition, results of operations, and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The documents listed below are filed (or furnished, as noted) as exhibits to this Quarterly Report on Form 10-Q:

Exhibit Number	Description	Incorporated by Reference to			Filed Herewith
		Form*	Filing Date	Exhibit	
2.4	Agreement and Plan of Merger, dated June 3, 2019, by and between Cypress Semiconductor Corporation, Infineon Technologies AG and IFX Merger Sub Inc.	8-K	2019-06-03	2.1	
3.1.1	Second Restated Certificate of Incorporation of Cypress Semiconductor Corporation, dated June 12, 2000 (included in Exhibit 3.1.2 below)				
3.1.2	Amendment, dated March 23, 2017, to the Second Restated Certificate of Incorporation of Cypress Semiconductor Corporation.	10-Q	2017-05-02	3.1	
3.2	Amended & Restated Bylaws of Cypress Semiconductor Corporation	8-K	2017-09-25	3.1	
10.1.16	Agency Resignation and Appointment Agreement and Amendment No. 9 to Amended and Restated Credit and Guaranty Agreement, dated as of July 31, 2019, by and among Cypress Semiconductor Corporation, the Guarantors party thereto, the lenders party thereto, MUFG Bank, Ltd., as successor administrative agent, as an issuing bank and as swing line lender, MUFG Union Bank, N.A., as successor collateral agent, Morgan Stanley Senior Funding, Inc. as outgoing administrative agent and collateral agent, and the other financial institutions party thereto.	8-K	2019-08-01	10.1	
10.2.8+	Form of Milestone-Based Restricted Stock Unit Agreement (version 2) and related notice of grant under the 2013 Stock Plan (in use starting May 2019)				X
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1‡	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2‡	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	iXBRL (Inline eXtensible Business Reporting Language) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	iXBRL Taxonomy Extension Schema Document.				X
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	iXBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	iXBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase Document.				X
104	Cover Page Interactive Data File (contained in Exhibit 101)				X

* Commission File Number for incorporated documents is 001-10079.

\+ Management contract or compensatory plan or arrangement.

‡ Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CYPRESS SEMICONDUCTOR CORPORATION

Date: August 2, 2019

By: /s/ THAD TRENT

Thad Trent

Executive Vice President, Finance and Administration and Chief Financial Officer

NOTICE OF GRANT OF MILESTONE-BASED RESTRICTED STOCK UNITS

Congratulations! You have been granted an Award of Milestone-Based Restricted Stock Units ("RSUs") under the Cypress Semiconductor Corporation 2013 Stock Plan, as amended, and any applicable sub-plan thereto for your country (collectively, the "Plan"), as follows:

PARTICIPANT NAME: [name]

PARTICIPANT ID: [ID#]

TARGET NUMBER OF RSUs GRANTED: [number]

Each RSU is equivalent to one Share of Common Stock of Cypress Semiconductor Corporation (the "Company") for purposes of determining the number of Shares subject to this Award. The RSUs are subject to forfeiture prior to vesting. None of the RSUs will vest (nor will you have the rights of a stockholder with respect to the underlying Shares) until you satisfy the vesting conditions described below and in the Milestone-Based Restricted Stock Unit Agreement accompanying this notice (the "RSU Agreement"). The number of unvested RSUs and underlying Shares is subject to adjustment under Section 16 of the Plan (such as in connection with a stock split or spin-off). Unless otherwise defined in this Notice of Grant of Milestone-Based Restricted Stock Units (this "Notice of Grant"), capitalized words that are defined in the Plan or the RSU Agreement have the meanings given to them in the Plan or the RSU Agreement, as applicable. Additional terms of this grant are as follows:

GRANT NUMBER: [number]

GRANT DATE: [date]

VESTING BASE DATE: [date]

VESTING SCHEDULE:

Performance Milestone	Target Number of RSUs	Vesting Date
[Milestone 1]	[number of shares]	[date]
[Milestone 2]	[number of shares]	[date]
[Milestone 3]	[number of shares]	[date]
[Milestone 4]	[number of shares]	[date]
[Milestone 5]	[number of shares]	[date]
[Milestone 6]	[number of shares]	[date]
[Milestone 7]	[number of shares]	[date]
[Milestone 8]	[number of shares]	[date]
[Milestone 9]	[number of shares]	[date]
[Milestone 10]	[number of shares]	[date]
[Milestone 11]	[number of shares]	[date]
[Milestone 12]	[number of shares]	[date]
[Milestone 13]	[number of shares]	[date]
[Milestone 14]	[number of shares]	[date]
[Milestone 15]	[number of shares]	[date]

You acknowledge and agree that this Notice of Grant (including the vesting schedule above) does not constitute an express or implied promise of continued engagement as an Employee or Consultant for the vesting period, for any period, or at all.

You will not receive any Shares upon vesting unless and until satisfactory arrangements (as determined by the Administrator) have been made with respect to the collection of all Tax-Related Items that the Company or your Employer determines must be withheld with respect to such Shares to be delivered upon the vesting of the RSUs. Currently, you can view the tax withholding collection method(s) that the Administrator has made available to you, including the default collection method (and if applicable you may be able to select an alternate method) by accessing your Plan account at *www.ETRADE.com*.

The Company's online acceptance procedure requires that you open each of the linked documents in order to proceed to acceptance.

Please confirm your acceptance of this Award by clicking the "Accept" (or similar wording) button on the award acceptance screen of your Plan account at *www.ETRADE.com*. If you wish to *reject* this award, you must so notify the Company's Stock Plan Administrator in writing to stockadmin@cypress.com no later than sixty (60) days after the grant date shown above. If within such sixty (60) day period you neither affirmatively accept nor affirmatively reject this Award, you will be deemed to have accepted this Award at the end of such sixty (60) day period pursuant to the terms and conditions set forth in this Notice of Grant, the RSU Agreement, and the Plan.

By your acceptance of this Award:

- you acknowledge receiving and reviewing this Notice of Grant, the RSU Agreement, the Plan, and the Company's related Prospectus;

- you agree that the RSUs are granted under and governed by the terms and conditions of, and you agree to be bound by the terms of, this Notice of Grant, the RSU Agreement, and the Plan;

- you agree to accept as binding, conclusive, and final all decisions or interpretations of the Plan Administrator upon any questions relating to the Plan and this Award; and

- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the RSU Agreement for the purpose of implementing, administering and managing your participation in the Plan.**

This Notice of Grant shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and upon acceptance shall be deemed to have been executed and delivered by the parties hereto as of the grant date shown above.

CYPRESS SEMICONDUCTOR CORPORATION
2013 STOCK PLAN, AS AMENDED

MILESTONE-BASED RESTRICTED STOCK UNIT AGREEMENT

1. Grant. Cypress Semiconductor Corporation (the "Company") hereby grants to the Participant named in the Notice of Grant of Milestone-Based Restricted Stock Units (the "Notice of Grant") an Award of Restricted Stock Units ("RSUs"), as set forth in the Notice of Grant and subject to the terms and conditions in this Milestone-Based Restricted Stock Unit Agreement ("Agreement"), in the Company's 2013 Stock Plan, as amended, and in any applicable sub-plan for the Participant's country (such plan and any such sub-plan, if applicable, collectively, the "Plan"). A sub-plan is applicable to this Award if, but only if, the country-specific terms for the Participant's country as set forth in Appendix A state that this Award is granted under or subject to such sub-plan. Unless otherwise defined herein, capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan (the "Agreement").

2. Company's Obligation. Each Milestone-based RSU represents the right to receive a Share of Common Stock of the Company on the Vesting Date (as defined below) if and to the extent that the vesting conditions established by or pursuant to the Notice of Grant, this Agreement and the Plan have been satisfied. Unless and until RSUs vest, the Participant will have no right to receive Shares (or any other payment) in connection with such RSUs. Prior to actual distribution of Shares in settlement of any vested RSUs, such RSUs represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Conditions and Procedure.

(a) Vesting Conditions. For each performance milestone (each, a "Milestone") listed in the vesting schedule table of the Notice of Grant (the "Vesting Schedule"), the Administrator shall designate one or more associated performance period (each, a "Performance Period") that ends no later than the vesting date set forth opposite such Milestone in the Vesting Schedule (each, a "Vesting Date") and shall establish performance targets applicable to such Milestone. The Administrator shall also establish a methodology for determining the percentage of the target number of RSUs set forth opposite such Milestone in the Vesting Schedule (each, a "Target Number of RSUs") that will be credited to the Participant based on relative achievement of such performance targets (such targets and methodology, "Performance-Based Criteria"). Performance-Based Criteria (1) shall be established by the Administrator not later than thirty (30) days after the start of a Performance Period of six months or less to which they relate, and no later than ninety (90) days after the start of a Performance Period of greater than six months to which they relate and (2) shall be communicated to the Participant promptly after being established by the Administrator. Subject to Section 4 below, for each Milestone the vesting of RSUs on its scheduled Vesting Date (i.e., on the Vesting Date set forth opposite such Milestone in the Vesting Schedule) shall be subject to (i) the Participant's Continuous Status as an Employee, Consultant or Director from the grant date specified in the Notice of Grant (the "Date of Grant") to such Vesting Date (the "Service-Based Condition") and (ii) satisfaction of such Milestone's Performance-Based Criteria above the threshold vesting level as further described below. Employment or service for only a portion of the vesting period described in clause (i) above, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 4 below or in the

Plan. No later than sixty (60) days after each Milestone's scheduled Vesting Date, the Administrator shall determine whether and the extent to which such Milestone's performance target was satisfied and will confirm the crediting percentage (the "Crediting Percentage") that applies to such Milestone pursuant to the previously established Performance-Based Criteria. Such determination shall be final and binding absent manifest error. In no event shall any Crediting Percentage be greater than 200 percent (or such lesser maximum as may be specified in the Performance-Based Criteria). For the avoidance of doubt, unless the Participant is an executive officer, the responsibilities allocated to the Administrator in this paragraph may be performed by an officer of the Company if the Administrator has delegated appropriate authority to such officer.

(b) Vesting Procedure. On each Milestone's scheduled Vesting Date, if the Participant has satisfied the applicable Service-Based Condition, the number of RSUs that shall vest and become non-forfeitable for such Milestone shall be equal to the Target Number of RSUs for such Milestone multiplied by the Crediting Percentage for such Milestone, and rounded down to the nearest whole share. Any of the Target Number of RSUs for a particular Milestone that do not vest on such Milestone's scheduled Vesting Date in accordance with this Section 3 shall terminate as of the last day of the associated Performance Period.

4. Forfeiture upon Termination as an Employee, Consultant or Director; Leaves of Absence.

(a) Forfeiture upon Termination of Service. Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the Participant's Continuous Status as an Employee, Consultant or Director ceases for any or no reason after the Date of Grant but prior to vesting, any unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company and, if applicable, at no cost to the Company affiliate that actually employs or otherwise engages the Participant (the "Employer"). Neither the Participant nor any of the Participant's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement or the Plan.

(b) Unpaid Leaves of Absence. Unless otherwise provided by the Administrator (such as in a leave of absence vesting policy, in the Performance-Based Criteria, or otherwise) and subject to compliance with all applicable laws, in the event the Participant takes an approved but unpaid leave of absence ("LOA") from the Company or the Employer (as applicable) during a Performance Period, such LOA shall have the following effects:

(1) if a Milestone's Performance Period is one fiscal year or less and the portion of such Performance Period during which the Participant is on LOA is less than or equal to 25% of such Performance Period, then the number of Shares that actually vests on the Vesting Date associated with such Milestone shall be the number that otherwise would have vested for such Milestone on such date under Section 3(b) above multiplied by a fraction, the numerator of which is the number of calendar days in such Performance Period during which the Participant was *not* on LOA, and the denominator of which is the number of calendar days in such Performance Period;

(2) if a Milestone's Performance Period is one fiscal year or less and the portion of such Performance Period during which the Participant is on LOA is greater than 25% of such Performance Period, then the Target Number of RSUs associated with such Milestone shall be forfeited when the length of the LOA exceeds 25% of the Performance Period and no RSUs shall be eligible to be earned or to vest for such Milestone;

(3) if a Milestone's Performance Period is longer than one fiscal year and the portion of such Performance Period during which the Participant is on LOA is 180 days or less, then the number of Shares that actually vests on the Vesting Date associated with such Milestone shall be the number that otherwise would have vested for such Milestone on such date under Section 3(b) above multiplied by a fraction, the numerator of which is the number of calendar days in such Performance Period during which the Participant was *not* on LOA, and the denominator of which is the number of calendar days in such Performance Period; and

(4) if a Milestone's Performance Period is longer than one fiscal year and the portion of such Performance Period during which the Participant is on LOA is 181 days or more, then the Target Number of RSUs associated with such Milestone shall be forfeited on such 181st day and no RSUs shall be eligible to be earned or to vest for such Milestone.

If a Milestone has more than one associated Performance Period and the effect of a LOA on such Milestone's vesting has not otherwise been established by the Administrator (such as in the Milestone's Performance-Based Criteria), then the effect of a LOA on such Milestone's vesting shall be determined by applying the above tests to the longest of such Milestone's associated Performance Periods.

5. Settlement in Shares after Vesting. Subject to Section 17 (regarding tax matters), any RSUs that vest in accordance with this Agreement will be settled by delivery of Shares to the Participant (or in the event of the Participant's death, to his or her estate) as soon as practicable after (and in no case more than seventy-four days after) the date such RSUs vest and become non-forfeitable.

6. Payments after Death. Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the administrator or executor of the Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Rights as Stockholder. Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company (including, without limitation, voting and dividend rights) in respect of any Shares deliverable hereunder unless and until certificates (or book-entry positions) representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant or the Participant's broker.

8. No Effect on Employment or Status.

(a) If the Participant is employed in the United States, (1) the Participant's employment or other service relationship with the Company or the Employer is on an at-will basis only; and accordingly, the terms of the Participant's employment or other service relationship with the Company or the Employer will be determined from time to time by the Company or the Employer, and the Company or the Employer will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment or other service relationship of the Participant at any time for any reason whatsoever, with or without good cause or notice; and (2) the Participant understands and agrees that the vesting of the RSUs subject to this Award pursuant to Section 3 is subject to performance conditions, as may be determined pursuant to the terms of this Agreement, and to the Participant's continuing in the employ or service of the Company or the Employer through each applicable Vesting Date.

(b) This Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Company or the stockholders to remove a Director from the Board at any time in accordance with the provisions of applicable law.

9. Address for Notices. (a) Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at 198 Champion Court, San Jose, California 95134-1599, Attn: Stock Administration, or at such other address as the Company may hereafter designate in writing or electronically. (b) Any notice to be given to the Participant under the terms of this Agreement will be addressed to the Participant's address appearing on the books of the Company or to the Participant's residence or to such other address as may be designated in writing by the Participant. Notices may also be delivered to the Participant, during his or her employment, through the Company's inter-office or electronic mail systems.

10. Grant is Not Transferable. Except to the limited extent provided in Section 6 of this Agreement, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

11. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

12. Additional Conditions to Issuance of Stock. If at any time the Company determines, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state, federal, or foreign law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to the Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such U.S. state or federal law or securities exchange and to obtain any such consent or approval of any domestic governmental authority.

13. Plan Governs. This Agreement and the Notice of Grant are subject to all terms and provisions of the Plan. The Participant has been provided a copy of the Plan and has had an opportunity to review the Plan and shall be bound by all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice of Grant and one or more provisions of the Plan, the provisions of the Plan will govern.

14. Administrator Authority. The Administrator will have the power to interpret the Plan, this Agreement, and the Notice of Grant and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any RSUs have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company, and all other interested persons. No member of the Administrator will be personally liable for any action, determination, or

interpretation made in good faith with respect to the Plan or this Agreement.

15. Additional Terms for Participants Providing Services Outside the United States. To the extent the Participant provides (or provided, subsequent to the vesting base date set forth in the Notice of Grant) services to the Company or the Employer in a country other than the United States, the RSUs shall be subject to such additional or substitute terms as are set forth for such country in Appendix A attached hereto.

16. **Data Privacy.** ***The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement by and among, as applicable, the Employer and the Company and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.***

The Participant understands that the Company and the Employer may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number, passport number, or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data").

The Participant understands that Data may be transferred to such stock plan service provider (or providers) as may be selected by the Company which is (or are) assisting in the implementation, administration and management of the Plan and awards granted thereunder. The Participant understands that these recipients of Data may be located in the United States, or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant hereby authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan and awards granted thereunder to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan.

The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan and the Participant's continued eligibility for this Award or eligibility to be granted any other awards under the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.

17. Responsibility for Taxes.

(a) Regardless of any action the Company or the Employer takes with respect to any and all income or withholding tax (including federal, state and local tax), social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to him or her ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Company and/or the Employer. The Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the RSUs, the vesting of RSUs, the issuance of Shares, the subsequent sale of any Shares acquired under the Award and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the RSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any taxable or tax withholding event, as applicable, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Participant shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items that the Company determines it or the Employer is required to withhold under applicable laws with respect to the RSUs. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, to satisfy the obligation with regard to all Tax-Related Items by any one or a combination of the following methods: (1) by requiring the Participant to pay such amount in cash or by check; (2) by deducting such amount out of wages or any other cash compensation otherwise payable to the Participant by the Company and/or the Employer; (3) by withholding (and/or reacquiring) a number of Shares issuable (or issued) in payment of the RSUs having a Fair Market Value equal to such

amount; (4) by requiring the Participant to deliver to the Company already owned shares of Common Stock having a Fair Market Value equal to such amount; and/or (5) withholding such amount from the proceeds of a sale of a sufficient number of Shares issued upon vesting of the RSUs ("Sell-To-Cover") either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization). For these purposes, the Fair Market Value of any Shares to be withheld or repurchased, as applicable, shall be determined on the date that Tax-Related Items are to be determined. To the extent any of the above methods involves a sale of Shares, the Participant acknowledges that neither the Company nor its designated broker is obligated to arrange for such sale of Shares at any particular price.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested portion of the RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

(c) The Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Participant's receipt of RSUs, the vesting of RSUs, or the issuance of Shares that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares to the Participant if the Participant fails to comply with the Participant's obligations in connection with Tax-Related Items as described in this Section 17.

(d) The Participant understands that the Company may allow the Participant to select a tax withholding collection method and that, if no selection is made, the default collection method may be Sell-To-Cover. In that default case and/or if the Participant subsequently selects Sell-To-Cover (or the related "same-day sale" alternative), the Participant hereby agrees and instructs that a sufficient number of Shares issued in payment of RSUs that become non-forfeitable shall be sold by the Company's designated brokerage firm on the Participant's behalf and for the Participant's account pursuant to this authorization on or as soon as administratively possible after the date of issuance. This paragraph is intended as a trading plan meeting the requirements of Rule 10b5-1(c)(1)(i) under the U.S. Securities Exchange Act of 1934, as amended. The Participant hereby represents and warrants that (a) at the time of entering into this Agreement and trading plan and at the time of making any subsequent Sell-To-Cover or "same-day sale" election constituting a trading plan hereunder, he or she is not aware of any material, nonpublic information regarding the Company or its securities and (b) he or she is entering into this Agreement and any such trading plan in good faith and not as part of a plan or scheme to avoid the prohibitions of Rule 10b5-1. The Participant agrees (i) never to directly or indirectly communicate any material, non-public information regarding the Company to the Company's designated brokerage firm or any employee or affiliate thereof and (ii) at any time an above trading plan is in effect, (x) not to influence how, when, or whether the Shares are sold (other than by selecting a different tax withholding collection method that does not involve sale of Shares, which is equivalent to terminating the trading plan), and (y) not to enter into or alter a corresponding hedging transaction or position with respect to the Shares. The Participant agrees that he or she will not change the tax withholding collection method to Sell-To-Cover (or to the related "same-day sale" alternative) at a time when he or she would be prohibited from trading under the Company's Insider Trading Policy (as defined below).

18. Miscellaneous.

(a) Headings. The headings in this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction of, and shall not constitute a part of, this Agreement.

(b) Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to this Award or future Awards that may be made under the Plan (or other Company equity plans) by electronic means, request the Participant's consent to participate in the Plan (or other Company equity plans) by electronic means, or deliver vested Shares by book-entry to the Participant's account at a brokerage selected by the Company. The Participant hereby consents to receive such documents by electronic delivery, authorizes vested shares to be delivered to such a brokerage account by book-entry, and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third-party brokerage designated by the Company.

(c) Section 409A. This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Participant shall be solely responsible for any and all tax liability with respect to the Award.

(d) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(e) Governing Law/Choice of Venue.

(1) This Agreement and the rights of the Participant hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof).

(2) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(f) Imposition of Other Requirements. If the Participant relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Participant's participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(g) No Advice Regarding Award. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(h) Insider Trading Restrictions/Market Abuse Laws. The Participant acknowledges and agrees that he or she is subject to the Company's Amended and Restated Insider Trading Policy as may be amended from time to time (the "Insider Trading Policy") including its restrictions that extend for a limited period of time after the Participant's termination of service. In addition, the Participant understands that he or she may be subject to insider trading restrictions under securities laws, market abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Participant acknowledges that it is the Participant's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Participant's acquisition, holding, and any disposition of Shares or rights to Shares.

(i) Recoupment. Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Board or the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to this Award, any Shares that may be issued in respect of this Award, and any proceeds (including dividends and sale proceeds) of such Shares.

(j) Entire Agreement. This Agreement, the Notice of Grant, and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(k) Signature and Acceptance. This Agreement shall be deemed to have been accepted and signed by the Participant and the Company as of the Date of Grant upon the Participant's online acceptance or deemed acceptance as set forth in the Notice of Grant.

(l) Modifications. The provisions of this Agreement may not be changed, modified, or waived in a manner that is adverse to the Participant's interests except by means of a writing signed by the Participant and the Company.

APPENDIX A

This Appendix A to the Company's 2013 Stock Plan, as amended (the "Plan") Restricted Stock Unit Agreement (the "Agreement") includes special terms and conditions applicable to Participants in the countries below. These terms and conditions are in addition to or substitute for, as applicable, those set forth in the Agreement. Any capitalized term used in this Appendix A without definition shall have the meaning ascribed to such term in the Plan or the Notice of Grant, as applicable.

Each Participant is advised to seek appropriate professional advice as to how the relevant exchange control and tax laws in the Participant's country may apply to the Participant's individual situation.

ALL COUNTRIES OUTSIDE THE UNITED STATES

The following provisions replace Section 8(a) of the Agreement:

Nature of Award. In accepting the Award, the Participant acknowledges, understands and agrees that:

(i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time;

(ii) the Award of RSUs is voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs,

or benefits in lieu of RSUs even if RSUs have been awarded repeatedly in the past;

(iii) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(iv) the Participant's participation in the Plan will not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Participant's employment relationship;

(v) the Participant's participation in the Plan is voluntary;

(vi) the Award of RSUs is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or to the Employer, and which is outside the scope of the Participant's employment contract, if any;

(vii) the Award of RSUs is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary;

(viii) in the event that the Participant is not an employee of the Company, the Award shall not be interpreted to form an employment contract or relationship with the Company; and furthermore, the Award will not be interpreted to form an employment contract with the Employer or any Subsidiary;

(ix) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(x) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from termination of the Participant's Continuous Status as an Employee, Consultant or Director by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and in consideration of the Award of RSUs to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or the Employer, waives the ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(xi) in the event of termination of the Participant's Continuous Status as an Employee, Consultant or Director (whether or not in breach of local labor laws), the Participant's right to vest in the RSUs under the Plan, if any, will terminate effective as of the date that the Participant is no longer actively employed by or does no longer actively render services to the Company or any of its Subsidiaries and will not be extended by any notice period mandated under local law; the Administrator shall have the exclusive discretion to determine when the Participant is no longer actively employed for purposes of this Award of RSUs.

CANADA

Settlement of RSUs. Notwithstanding any terms or conditions of the Plan or the Agreement to the contrary, RSUs will be settled in shares of Common Stock only, not cash.

Securities Law Information. You acknowledge and agree that you will only sell shares of Common Stock acquired through participation in the Plan outside of Canada through the facilities of a stock exchange on which the Common Stock is listed. Currently, the shares of Common Stock are listed on the NASDAQ.

Termination of Employment. This provision replaces Section 4(a) of the Agreement:

In the event of your termination of employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), your right to vest in the RSUs will terminate effective as of the date that is the earlier of (1) the date you are no longer actively providing service or (2) the date you receive notice of termination of employment from the Employer, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer actively employed for purposes of the RSUs.

The following provisions apply if you are resident in Quebec:

Language Acknowledgment. The parties acknowledge that it is their express wish that this Agreement, including this Appendix, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be provided to them in English.

Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciares, éxécutés, donnés ou intentés en vertu de, ou liés

directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Maternity and Paternity Leave. For the avoidance of doubt, Section 4(b) of the Agreement shall not apply to any maternity or paternity leave to which employees in Canada are entitled by law.

CHINA

Mandatory Sale Restriction

Due to regulatory requirements in China, the Company reserves the right to require the sale of any shares of the Company's Common Stock acquired under the Plan within 30 days following the termination of the Participant's employment or service with the Company (including its subsidiaries and affiliates). The Participant authorizes the Company, in its sole discretion, to instruct its designated broker to assist with the mandatory sale of shares of Common Stock issued upon vesting of RSUs following the Participant's termination of employment or service with the Company (including its subsidiaries and affiliates) and, in this regard, the Participant authorizes the Company's designated broker to complete the sale of such Common Stock on the Participant's behalf pursuant to this authorization upon receipt of the Company's instructions. The Participant acknowledges that neither the Company nor its designated broker is obligated to arrange for the sale of the Shares at any particular price and that, upon the sale of the Shares, the proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy any applicable taxes or other tax-related items, will be remitted to the Participant in accordance with applicable exchange control laws and regulations.

Exchange Control Restrictions

The Participant understands and agrees that, pursuant to local exchange control requirements, the Participant (i) is not permitted to transfer any Shares acquired under the Plan out of the account established by the Participant with the Company's designated broker, and (ii) will be required to repatriate all cash proceeds resulting from the Participant's participation in the Plan, including cash dividends paid by the Company on Shares acquired under the Plan and/or the sale of such Shares (together, the "cash proceeds"). The Participant further understands that, under local law, such repatriation may need to be effectuated through a special exchange control account established by the Company or one of its subsidiaries and the Participant hereby consents and agrees that all cash proceeds may be transferred to such special account prior to being delivered to the Participant and that any interest earned on the cash proceeds prior to distribution to the Participant will be retained by the Company to partially offset the cost of administering the Plan. The Participant understands that the cash proceeds may be paid to the Participant from this special account in U.S. dollars or in local currency, at the Company's discretion. If the cash proceeds are paid in U.S. dollars, the Participant understands that he or she will be required to establish a U.S. dollar bank account in China so that the cash proceeds may be deposited into this account. If the cash proceeds are converted to local currency, the Participant acknowledges that the Company is under no obligation to secure any exchange conversion rate, and the Company may face delays in converting the cash proceeds to local currency due to exchange control restrictions in China. The Participant agrees to bear the risk of any exchange conversion rate fluctuation between the date the cash dividend is paid and/or the Shares are sold, as applicable, and the date of conversion of the cash proceeds to local currency. The Participant further agrees to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

FINLAND

No country-specific Agreement terms apply.

FRANCE

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, employment history and status, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third party is E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005, however the Company may retain additional or different third parties for any of the purposes mentioned. The Company may also make the Data available to public authorities where required under locally applicable law. These recipients may be located in the United States, the European Economic Area, or elsewhere, which the Participant separately and expressly consents to, accepting that outside the European Economic Area, data protection laws may not be as protective as within. The Participant hereby authorizes them to receive, possess,

use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company through its local H.R. Director; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement. Data will only be held as long as necessary to implement, administer and manage the Participant's participation in the Plan and any subsequent claims or rights.

French Language Provision. By accepting this Agreement, Participant confirms having read and understood the documents relating to the Plan which were provided to Participant in the English language. Participant accepts the terms of those documents accordingly.

French translation: *En acceptant ce Contrat vous confirmez ainsi avoir lu et compris les documents relatifs au Plan qui vous ont été communiqués en langue anglaise. Vous en acceptez les termes en connaissance de cause.*

Exchange Control Information. If you import or export cash (*e.g.*, sales proceeds received under the Plan) with a value equal to or exceeding €10,000 and do not use a financial institution to do so, you must submit a report to the customs and excise authorities.

Tax Reporting. If you hold shares of Common Stock outside of France or maintain a foreign bank account, you are required to report such to the French tax authorities when filing your annual tax return. Failure to comply could trigger significant penalties.

GERMANY

Acceptance of Agreement. Notwithstanding the terms of the Agreement, a Participant must acknowledge and accept the Agreement by signing a copy of the Agreement and returning the original signed document within 30 days after the date of the electronic mail notification of the Agreement. For the avoidance of doubt, this Agreement may be accepted electronically or please sign and return the Agreement to: Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

No Impact on Other Rights. The grant of RSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive any other grant of RSUs or other awards under the Plan in the future.

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. In the event that you make or receive a payment in excess of this amount, you are responsible for obtaining the appropriate form from the remitting bank and complying with applicable reporting requirements.

Consent to Personal Data Processing and Transfer.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and the Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), at the time being E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005. These recipients are located in the European Economic Area, but also outside and in so-called insecure third-party countries that do not guarantee the data privacy protection level of the European Economic Area, for example the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

HONG KONG

WARNING: *The RSUs and Shares do not constitute a public offering of securities under Hong Kong law and are available only to Employees. The Agreement, including this Appendix, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The RSUs are intended only for the personal use of each Employee and may not be distributed to any other person. If the Employee is in any doubt about any of the contents of the Agreement, including this Appendix or the Plan, the Employee should obtain independent professional advice.*

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Sale of Shares. To facilitate compliance with securities laws in Hong Kong, in the event the Employee's RSUs vest and Shares are issued to the Employee within six months of the Date of Grant, the Employee agrees that he or she will not dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO"). Notwithstanding the foregoing, if the Plan is deemed to constitute an occupational retirement scheme for the purposes of ORSO, then the Employee's grant shall be void.

INDIA

Exchange Control Notification. The Participant understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan and any dividends received in relation to the Shares to India and convert the funds into local currency within 90 days of receipt. The Participant must obtain a foreign inward remittance certificate ("FIRC") from the bank where the Participant deposits the foreign currency and maintains the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Company requests proof of repatriation. **It is your responsibility to comply with applicable exchange control laws in India.**

Effective April 1, 2012, you are required to declare in your annual tax return (a) any foreign assets held by you or (b) any foreign bank accounts for which you have signing authority.

IRELAND

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Exclusion from Termination Indemnities and Other Benefits. This provision supplements Section 8 of the Agreement:

By accepting the RSUs, the Participant acknowledges, understands, and agrees that the benefits received under the Plan will not be taken into account for any redundancy or unfair dismissal claim.

Director Notification. If the Participant is a director, shadow director or secretary of an Irish subsidiary of the Company, the Participant is subject to certain notification requirements under Section 53 of the Companies Act, 1990. Among these requirements is an obligation to notify the Irish affiliate in writing within five (5) business days when the Participant receives an interest (e.g., RSUs, Shares) in the Company and the number and class of shares or rights to which the interest relates. In addition, the Participant must notify the Irish subsidiary within five (5) business days when the Participant sells Shares acquired under the Plan. This notification requirement also applies to any rights or Shares acquired by the Participant's spouse or children (under the age of 18).

ISRAEL

Securities Law Notice. This RSU Award is granted pursuant to an exemption issued by the Israeli Securities Authority under Section 15D of the Securities Law of 1968. The grant of this RSU Award and the issuance of its underlying shares are registered with the U.S. Securities and Exchange Commission on Form S-8. The Company will make available to any interested Israeli offeree, at his or her workplace, the Form S-8 and all documents attached to the Form S-8, including any document directly or indirectly referred to in the Form S-8 or in its exhibits. To request any such documents, please contact stockadmin@cypress.com.

Sub-Plan and Tax-Based Restrictions. If on the Date of Grant, the Holder is an employee of the Company's subsidiary in Israel, Cypress Semiconductors Ltd., then this Award is granted under and subject to the terms of the Cypress Semiconductor Corporation 2013 Stock Plan Sub-Plan for Israeli Taxpayers (the "Israeli Sub-Plan") and the Participant acknowledges and agrees to the following: This Agreement is granted under and governed by the Plan, the Israeli Sub-Plan, Section 102(b)(2) of the Israeli Income Tax Ordinance (New Version) – 1961 and the Rules promulgated in connection therewith ("Section 102"), and the trust agreement (the "Trust Agreement") between the Company and the Trustee (as defined in the Israeli Sub-Plan).

- The proceeds of any shares of Common Stock issued upon vesting of the RSUs will be remitted by the Company or its designated broker to the Trustee to administer on Participant's behalf, pursuant to the terms of Section 102 and the Trust Agreement.

- Participant is familiar with the terms and provisions of Section 102, particularly the Capital Gains Track (as defined in the Israeli Sub-Plan) described in subsection (b)(2) thereof, and agrees that Participant will not release or sell (or require the Trustee to release or sell) the RSUs or underlying shares of Common Stock during the Restricted Holding Period (as defined in the Israeli Sub-Plan), unless permitted to do so by applicable law.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and the Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan, including transfers outside of Israel and further transfers thereafter. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

ITALY

Data Privacy Notice and Consent.

This provision replaces the "Data Privacy" section of the Agreement.

Participant hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of personal data as described in this section of Appendix A by and among, as applicable, the Company and any Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan (and grants of awards made thereunder).

Participant understands that the Company and any Subsidiary may hold certain personal information about Participant, including but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of the RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the exclusive purpose of managing and administering the Plan ("Personal Data").

Participant also understands that providing the Company with Personal Data is necessary for the performance of the Plan and that Participant's denial to provide Personal Data would make it impossible for the Company to perform its contractual obligations and may affect Participant's ability to participate in the Plan. The Controller of Personal Data processing is Cypress Semiconductor Corporation, with its principal offices at 198 Champion Court, San Jose, California 95134, United States of America, and, pursuant to Legislative Decree no. 196/2003, its representative is Cypress Semiconductor GmbH (a subsidiary of Cypress Semiconductor Corporation) - Willy-Brandt-Allee 4, 81829 Munich, Germany.

Participant understands that Personal Data will not be publicized, but it may be transferred to banks, other financial institutions or brokers involved in the management and administration of the Plan (and grants of awards made thereunder). Participant further understands that the Company and/or a Subsidiary will transfer Personal Data amongst themselves as necessary for the purpose of implementation, administration and management of Participant's participation in the Plan (and grants of awards made thereunder), and that the Company and/or a Subsidiary may each further transfer Personal Data to third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), including any requisite transfer of Personal Data to a broker or other third party with whom Participant may elect to deposit any Shares acquired under the Plan. Such recipients may receive, possess, use, retain and transfer Personal Data in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan (and grants of awards made thereunder). Participant understands that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Personal Data as soon as it has accomplished all the necessary legal obligations connected with the management and administration of the Plan.

Participant understands that Personal Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Personal Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Personal Data abroad, including outside of the European Economic Area as specified herein and pursuant to applicable laws and regulations, does not require Participant's consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration and management of the Plan (and grants of awards made thereunder). Participant understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Participant has the right to, including but not limited to, access, delete, update, correct or stop, for legitimate reason, the Personal Data processing. Furthermore, Participant is aware that Personal Data will not be used for direct marketing purposes. In addition, Personal Data provided can be reviewed and questions or complaints can be addressed by contacting Participant's human resources department.

Plan Document Acknowledgment. In accepting the RSU, the Participant acknowledges that a copy of the Plan was made available to the Participant and that the Participant has reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understands and accepts all provisions of the Plan, the Agreement and this Appendix.

The Participant further acknowledges that he or she has read and specifically and expressly approves the following provisions in the Agreement: Vesting Schedule and Vesting Conditions and Nature of Award, as well as the following provision in the Plan: Restricted Stock/Restricted Stock Units.

Additional Tax/Exchange Control Information. You are required to report in your annual tax return: (a) any transfers of cash or Common Stock to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; (b) any foreign investments or investments (including proceeds from the sale of Common Stock acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to taxable income in Italy; and (c) the amount of the transfers to and from abroad which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. Under certain circumstances, you may be exempt from requirement under (a) above if the transfer or investment is made through an authorized broker resident in Italy.

JAPAN

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold the following personal information for the purpose of managing and administering the Plan ("Data"): the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor. From time to time, the Company may change the scope of its affiliates that hold, use or process Participant's personal information or the scope of Participant's personal information to be held, used or processed by the Company, its affiliates and the Participant's employer, by providing, or making easily accessible, information about such change to the Participant. The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, Japan or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

KOREA

Exchange Control Information. Korean residents who realize US$500,000 or more from the sale of shares of Common Stock or receipt of dividends in a single transaction are required to repatriate the proceeds to Korea within 18 months of receipt.

MALAYSIA

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information from the Participant's Participant records, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder) and will disclose certain Data to the Inland Revenue Board and other relevant authorities as required by law. These recipients may be located in the United States, the European Economic Area, Malaysia or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Data will be retained by the Company, its affiliates and the Participant's employer for the entire duration of the Participant's employment or service and for a further seven years after cessation of employment or service. The holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting Zauyah Kechik (or other authorized individual), at Sdn. Bhd. (613545-T), Phase II, Free Industrial Zone, Bayan Lepas, 11900 Penang, Malaysia; site phone no: +60 4 888 2000.

Disclosure of Data is obligatory for the implementation, administration and management of the Plan (and grants of awards made thereunder); however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

Director Notification. If the Participant is a director of a subsidiary or other related company in Malaysia, then the Participant is subject to certain notification requirements under the Malaysian Companies Act, 1965. Among these requirements is an obligation to notify the Malaysian subsidiary in writing when the Participant receives an interest (e.g., RSUs, Shares) in the Company or any related companies. In addition, the Participant must notify the Malaysian subsidiary when he or she sells Shares of the Company or any related company (including when the Participant sells Shares acquired under the Plan). These notifications must be made within 14 days of acquiring or disposing of any interest in the Company or any related company.

Securities Law Information. Malaysian insider-trading rules may impact the acquisition or disposal of Shares or rights to Shares under the Plan. Under such rules, the Participant is prohibited from acquiring Shares or rights to Shares (e.g., RSUs) or selling Shares when he or she possesses information that is not generally available and which the Participant knows or should know will have a material effect on the price of the Shares once such information is generally available. By accepting this grant, the Participant acknowledges that he or she is not in possession of any material, non-publicly disclosed information regarding the Company at the time of grant and will not acquire or sell Shares when in possession of any material, non-publicly disclosed information regarding the Company.

PHILIPPINES

Securities Law Information. The sale or disposal of Shares acquired under the Plan may be subject to certain restrictions under Philippines securities laws. Those restrictions should not apply if the offer and resale of Shares takes place outside of the Philippines through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the NASDAQ. The Company's designated broker should be able to assist the Participant in the sale of Shares on the NASDAQ. *If the Participant has questions with regard to the application of Philippines securities laws to the disposal or sale of Shares acquired under the Plan the Participant should consult with his or her legal advisor.*

SINGAPORE

Securities Law Information. The RSUs were granted to the Participant pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Agreement and the Plan have not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Participant should note that the Participant's RSUs are subject to section 257 of the SFA and the Participant will not be able to make any subsequent sale in Singapore, or any offer of such subsequent sale of the Shares unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification. If the Participant is a director, associate director or shadow director of a subsidiary or other related company in Singapore, the Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore subsidiary in writing when the Participant receives an interest (e.g., RSUs, Shares) in the Company or any related company. In addition, the Participant must notify the Singapore subsidiary when the Participant sells Shares of the Company or any related company (including when the Participant sells Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any related company. In addition, a

notification must be made of the Participant's interests in the Company or any related company within two business days of becoming a director.

Insider Trading Notification. You should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of shares or rights to shares of Common Stock under the Plan. Under the Singapore insider trading rules, you are prohibited from acquiring or selling shares of Common Stock or rights to shares of Common Stock (*e.g.*, RSUs under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of Common Stock once such information is generally available.

SWEDEN

No country-specific Agreement terms apply.

TAIWAN

Exchange Control Information. You may remit foreign currency (including proceeds from the sale of Common Stock) into or out of Taiwan up to US$5,000,000 per year without special permission. If the transaction amount is TWD500,000 or more in a single transaction, you must submit a *Foreign Exchange Transaction Form* to the remitting bank and provide supporting documentation to the satisfaction of the remitting bank.

THAILAND

No country-specific Agreement terms apply.

THE NETHERLANDS

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, citizen service number (*burgerservicenummer*) (former social security number) or other Participant tax identification number (insofar as allowed), salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third parties are E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005., however the Company may retain additional or different third parties for any of the purposes mentioned. These recipients may be located in the United States, the European Economic Area, or elsewhere. Countries outside the European Economic Area do not provide for a similar level of data protection as within the European Economic Area pursuant to the European Data Protection Directive 95/46/EC. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement. The holder understands that he or she may request a list of the names and addresses of the third party recipients of Data by contacting the Company through its local H.R. Representative at Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

UNITED KINGDOM

Eligible Individual. For the purpose of RSUs awarded in the UK, Consultants and Outside Directors are not eligible to receive awards.

Tax Withholding.

The following is added to the "Responsibility for Taxes" section of the Agreement.

The Participant will be liable for and agrees to indemnify and keep indemnified the Company, any subsidiary and his/her employing company, if different, from and against any liability for or obligation to pay any Tax Liability (a "Tax Liability" being any liability for income tax, Participant's National Insurance contributions and employer's National Insurance Contributions) that is attributable to (i) the

grant or vesting of, or any benefit derived by the Participant from, the RSUs, (ii) the acquisition by the Participant of the Common Stock on the settlement of the RSUs, or (iii) the disposal of any Common Stock.

The RSUs will not vest until the Participant has made such arrangements as the Company may require for the satisfaction of any Tax Liability that may arise in connection with the vesting or settlement of the RSUs and/or the acquisition of the Common Stock by the Participant. The Company shall not be required to issue, allot or transfer Common Stock until the Participant has satisfied this obligation.

No Right to Continued Employment.

This provision supplements the "Nature of Award" section of the Agreement.

Neither the RSUs nor this Agreement:

(i) confers upon the Participant any right to continue to be an Employee, Consultant or Director of the Company or any of its subsidiaries or interferes in any way with the right of the Company or any of its subsidiaries to terminate the Participant's employment at any time; or

(ii) forms part of the Participant's entitlement to remuneration and benefits in terms of his/her employment, or affects the Participant's terms and conditions of employment.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information (including sensitive personal information) such as the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). By participating in the Plan, the Participant agrees that the Company, its affiliates and the Participant's employer may hold and process such Data, and may transfer Data to any third parties assisting the Company or its affiliates in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Participant hereby authorizes them to receive, possess, process, use, hold, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder) and in the course of the Company's business, including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or this Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Joint Election. As a condition of the grant of RSUs, the Participant agrees to accept any liability for secondary Class 1 National Insurance contributions (the "Employer NICs") which may be payable by the Company or the Employer with respect to the vesting of the RSUs or otherwise payable with respect to a benefit derived in connection with the RSUs.

Without limitation to the foregoing, if requested by the Company, the Participant agrees to execute a joint election between the Company and/or the Employer and Participant (the "Joint Election"), the form of such Joint Election being formally approved by Her Majesty's Revenue & Customs ("HMRC"), and any other consent or election required to accomplish the transfer of the Employer NICs to the Participant. The Participant further agrees to execute such other joint elections as may be required between the Participant and any successor to the Company and/or the Employer. If the Participant does not enter into a Joint Election in response to a Company request, no Shares shall be issued to the Participant (and neither the Company nor the Employer shall have any liability with respect to such non-issuance of shares). The Participant further agrees that the Company and/or the Employer may collect the Employer NICs from the Participant by any means.

If the Participant has signed a Joint Election in the past with respect to an RSU award granted to him or her by the Company and that Joint Election applies to all grants made under the Plan, the Participant need not sign another Joint Election in connection with this RSU grant.

Responsibility for Taxes. This provision supplements the Agreement:

You agree that, if you do not pay or the Employer or the Company does not withhold from you the full amount of Tax-Related Items that you owe at vesting and settlement of the RSUs, or the release or assignment of the RSUs for consideration, or the receipt of any other benefit in connection with the RSUs (the "Taxable Event") within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount of income tax that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the Taxable Event. You agree that the loan will bear interest at the HMRC official rate and will be immediately due and repayable by you, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you by the Employer, by withholding in shares of Common Stock issued upon vesting of your RSUs or from the cash proceeds from the sale of shares of Common Stock or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any shares of Common Stock unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are a director or executive officer (as within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are such a director or executive officer and the income tax that is due is not collected from or paid by you within 90 days of the Taxable Event, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any Participant national insurance contributions due on this additional benefit.

Exhibit 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Hassane El-Khoury, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cypress Semiconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 2, 2019

By: /s/ HASSANE EL-KHOURY
HASSANE EL-KHOURY
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Thad Trent, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cypress Semiconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 2, 2019

By: /s/ THAD TRENT

Thad Trent

Executive Vice President, Finance and Administration and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Hassane El-Khoury, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Cypress Semiconductor Corporation for the quarter ended June 30, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Cypress Semiconductor Corporation.

Dated: August 2, 2019

By: /s/ HASSANE EL-KHOURY
HASSANE EL-KHOURY
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Thad Trent, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Cypress Semiconductor Corporation for the quarter ended June 30, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Cypress Semiconductor Corporation.

Dated: August 2, 2019

By: /s/ THAD TRENT

Thad Trent

Executive Vice President, Finance and Administration and Chief Financial Officer