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Cypress proves that NVEC's technology is not viable, again.

On January 27, 2005 NVE Corporation's (NASDAQ: NVEC, \$28.77) non-fee bearing and royalty-free licensee Cypress Semiconductor Corporation (NYSE: CY, \$11.53) claimed that it would begin shipments of its 256-Kbit magnetoresistive random access memory ("MRAM") device this quarter. This is not news. Cypress has been claiming that its MRAM would be ready to sample or ship since May 2002, more than two and a half years ago. More importantly, Cypress' MRAM chip is too large, too slow, too low in capacity, and uses too much voltage to be competitive even in the small, low value battery backed-up SRAM ("BBSRAM") market.

According to Cypress' data sheets its MRAM operates at 5 volts. Nearly all of the Flash, SRAM and DRAM devices offered by leading sellers operate at 3 volts or a range from 2.7 volts to 3.6 volts. Most 5-volt products we found were listed as discontinued products. A 5-volt product is not even considered competitive, regardless of the many other shortcomings of the Cypress product.

Between August and September 2004 Cypress claimed that its MRAM yield was 72%. On the January 27th Cypress call Jeff Kaszubinski CEO of Cypress' Silicon Magnetic Systems subsidiary stated that its MRAM yield was actually 50%. Cypress claims the average selling price ("ASP") of its MRAM devices will capture the price difference between its 256k SRAM that it sells for \$0.56 and BBSRAM that it claims can sell for as much as \$10 per unit. We believe that neither \$10 nor \$5 per unit is a competitive ASP. Other makers of superior nonvolatile memory solutions that sell into the BBSRAM market offer parts that cost less than \$3.50 per unit.

On Monday morning January 31, 2005 NVE announced that it had confirmed that Cypress' MRAM devices "are covered by NVE's technology agreement with Cypress." NVE's stock soared 26.6% to \$36 in pre-market trading after NVE's announcement despite the fact that Cypress will not pay NVE any royalty payments under its "technology agreement." NVE has to buy wafers from Cypress and then package and test the chips to resell them to customers who could just as easily buy them from Cypress.

To read about Cypress' prior claims read Asensio & Company, Inc.'s report titled, "<http://www.asensio.com/Reports/ReportView.aspx?ReportId=537&CompanyId=140&CompanyName=NVE+Corporation> fails to solve Cypress' MRAM problems" Cypress' proposed MRAM device is rife with technical problems. For an analysis of Cypress' proposed MRAM device and comparison to competing MRAM developments read Asensio & Company, Inc.'s report titled, "<http://www.asensio.com/Reports/ReportView.aspx?ReportId=572&CompanyId=140&CompanyName=NVE+Corporation> MRAM disclosures detail its flaws."

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