



1999 Annual Report: A Discussion with Management.

IDT

About IDT

Founded in 1980, Integrated Device Technology, Inc. (IDT) designs, manufactures and markets integrated circuits (ICs) for some of the fastest growing segments of the communications and computing markets. IDT's product mix comprises five key product areas: communications memories—including FIFOs and multi-ports; networking devices; embedded RISC and x86 desktop microprocessors; high-speed SRAMs; and high-performance logic and clock management devices. Continually building on its understanding of market, customer and system-level requirements, IDT's strategy is to leverage two decades of design expertise, and manufacturing and process technology knowledge to deliver value-added ICs that offer a performance, power and time-to-market edge for designers of communications and computing systems.

Headquartered in Santa Clara, Calif., IDT's stock trades on Nasdaq under the symbol "IDTI."

IDT

highlights

Reports Fourth-Quarter Return to Profitability.

By successfully implementing key actions announced in its restructuring plan last summer, IDT returned to profitability in the fourth quarter of fiscal 1999.

Achieves Ongoing Process Technology Advancements.

In its Hillsboro, Ore. fab, IDT migrated its workhorse process technology from 0.35 to 0.25 microns, and expects to ship 0.18-micron memories before the end of the second quarter of fiscal 2000. While the fab supports 3.3- and 2.5-volt technology, IDT plans to transition to 1.8-volt technology in calendar 2000 to further support the low power consumption demands of mobile and hand-held products.

Acquires Quality Semiconductor.

Just after the fiscal 1999 year closed, IDT completed its acquisition of Quality Semiconductor, Inc. (QSI). This merger further expanded IDT's logic product portfolio with the addition of numerous logic and clock management devices, including QSI's QuickSwitch® and TurboClock™ product families.

Earns Editor's Choice Award.

IDT's RC32364™ RISCController™ microprocessor won an Editor's Choice award from *Microprocessor Report*, a leading technical publication. Introduced in June 1998, this 32-bit processor broke the 10 cents/MIPS barrier—delivering unprecedented microprocessor price/performance to a variety of embedded applications.

Unveils Comprehensive Logic Family.

IDT expanded its next-generation Advanced Low-Voltage CMOS (ALVC) and Low-Voltage CMOS (LVC) logic families with the introduction of 680 new logic devices. IDT now provides the industry's widest range of high-performance logic solutions for networking, telecommunications and PC products.

Moves SWITCHStAR™ Chipsets into Production.

By the third quarter of 1999, IDT had moved SWITCHStAR products into production with nearly 5,000 chipsets sold. The SWITCHStAR network switching chipset provides a new architecture for designing the lowest-cost access switches.

Introduces SuperSync™ II FIFO Family.

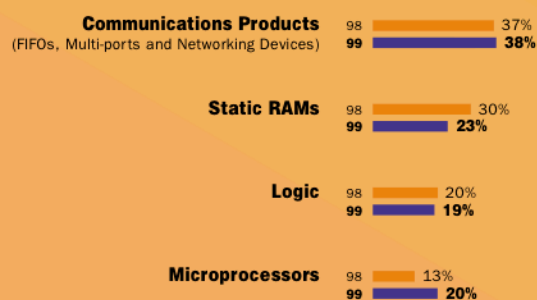
IDT once again raised the bar for FIFO memories. This family of communications memories offers densities up to 4 Mbits and performance up to 133 MHz— all at very low power. IDT has already achieved a \$1 million backlog of orders and more than 200 customers have already sampled these products.

Financial Highlights

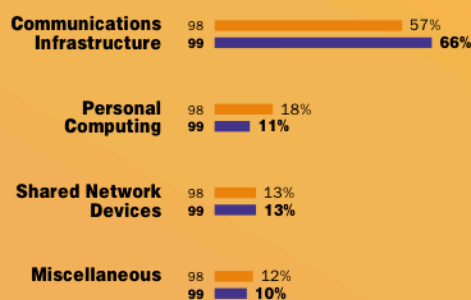
Five-Year Summary

	FISCAL YEAR ENDED				
	March 28, 1999	March 29, 1998	March 30, 1997	March 31, 1996	April 2, 1995
In thousands, except per share and employee data					
Revenues	\$ 540,199	\$587,136	\$537,213	\$679,497	\$422,190
Restructuring, asset impairment and other	\$ 204,244	\$ —	\$ 45,223	\$ —	\$ —
Research and development expenses	\$ 132,893	\$121,449	\$151,420	\$133,317	\$ 78,376
Income (loss) before extraordinary item	\$ (283,605)	\$ 8,247	\$ (42,272)	\$118,249	\$ 78,302
Net income (loss)	\$ (283,605)	\$ 8,247	\$ (42,272)	\$120,170	\$ 78,302
Basic earnings per share:					
Income (loss) before extraordinary item	\$ (3.45)	\$ 0.10	\$ (0.54)	\$ 1.54	\$ 1.12
Net (loss) income	\$ (3.45)	\$ 0.10	\$ (0.54)	\$ 1.56	\$ 1.12
Diluted earnings per share:					
Income (loss) before extraordinary item	\$ (3.45)	\$ 0.10	\$ (0.54)	\$ 1.42	\$ 1.05
Net income (loss)	\$ (3.45)	\$ 0.10	\$ (0.54)	\$ 1.44	\$ 1.05
Shares used in computing net income					
(loss) per share:					
Basic	82,290	80,359	78,454	77,026	69,684
Diluted	82,290	84,022	78,454	87,753	74,765
Total assets	\$ 674,892	\$968,955	\$903,584	\$939,434	\$561,975
Other long-term obligations	\$ 72,876	\$ 79,727	\$ 62,547	\$ 46,049	\$ 44,165
Convertible subordinated notes, net of issuance costs	\$ 184,354	\$183,756	\$183,157	\$182,558	\$ —
Stockholders' equity	\$ 273,036	\$546,391	\$524,238	\$549,727	\$414,531
Number of employees	4,612	4,979	4,236	3,828	2,965

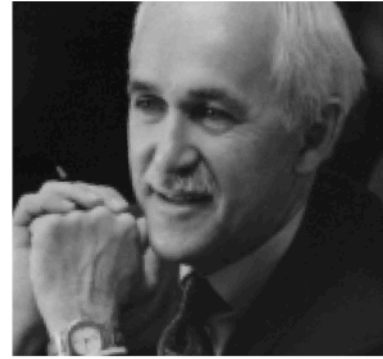
Product Mix



Markets Served



To our stockholders:



Leonard C. Perham
President and Chief Executive Officer

Driving stockholder value. This is our focus for fiscal 2000 and beyond. Our goal is to return value to IDT's stockholders by spurring revenue growth with value-added products for the communications and computing markets, and by optimizing our cost structure, operating efficiencies and asset utilization. Today, we are in the best position in years to deliver on that goal.

During fiscal 1999, IDT, along with the entire industry, struggled through the third year of the longest recession in semiconductor history. While we continued to successfully focus on developing and marketing products for the fast-growth communications sector, we knew we had to do more to resume profitability. As a result, we made some difficult decisions and took major actions to fundamentally change our corporate infrastructure.

To improve our financial performance, we focused on four fundamental areas: growing revenue; expanding our product portfolio; optimizing our manufacturing strategy; and streamlining operations throughout the Company.

Growing Revenue

Revenue growth starts with serving the right customers better. According to Dataquest, the semiconductor industry will grow by at least 10 percent in 1999, and the communications market, which comprises nearly 70 percent of IDT's business, is projected to grow even faster. IDT's customers are among the largest and most rapidly growing players in that market. To better serve these customers, we have continued our strong commitment to the highest levels of quality and reliability. In addition, we have implemented value-added services, such as hubs and consignment inventory, as well as new systems for more effective order management and planning. All of these are designed to make IDT

an even more important supplier to key customers such as Cisco, EMC, Ericsson, Lucent, NEC and Nokia. In turn, we have grown our share of business with them.

Bringing the greatest value to our existing customers and new industry players begins with outstanding products. IDT continuously strives to deliver a more comprehensive product offering to meet their system demands. A strong example is the acquisition of Quality Semiconductor, Inc. (QSI), which was completed just after the close of the fiscal year. This acquisition is synergistic in nearly every way with IDT's product game plan. Just as significant, IDT's own investment in new product development during the last several years has resulted in the richest portfolio of communications-focused products in the Company's history.

Expanding the Product Portfolio

For the third consecutive year, we spent aggressively to enhance the product offerings from each business unit—recognizing that this is critical to fueling future growth. As a result, we can point to many powerful new products being adopted by our customers worldwide:

- We continued our leadership in communications memories with the introduction of the SuperSync™ II FIFO family, substantially raising the bar for FIFOs. We already have more than 200 customers actively sampling this new product family.
- We sold nearly 5,000 of IDT's proprietary SWITCHStAR™ switching chipsets and more than 45 customers are building and evaluating systems utilizing this architecture.
- We continued our pioneering developments with the MIPS® architecture, introducing the RC32364™—a 32-bit RISController™ micro-processor that earned us a coveted Editor's Choice award from *Microprocessor Report*.
- We dramatically expanded our logic offering by adding 680 new devices—giving us the industry's widest range of high-performance, low-voltage logic solutions.

- In the fourth fiscal quarter, we shipped nearly \$2 million and booked nearly \$4 million of the 4-Mbit Zero Bus Turnaround™ (ZBT®) SRAM, optimized for fast switching applications. First shipped in fiscal 1998, this SRAM architecture has become the standard for high-speed switching.

While our customers are rapidly adopting these new products, we have many more slated for introduction in fiscal 2000. From system controllers to engines for high-end switching and routing applications to even faster, bigger ZBT memories and clock management products—IDT's schedule for new products is markedly robust.

Optimizing Manufacturing

Delivering value-added products to key customers in the shortest timeframe possible is crucial to our success. With a products-focused business model, we utilize a variety of design and manufacturing resources—to ensure that we build value-added products for the right markets and deliver them at the right time, consistently and reliably. As evidence of this commitment, in fiscal 1999 IDT achieved a 98 percent on-time delivery rate to its worldwide customer base. IDT's hybrid manufacturing strategy allows us to optimize our manufacturing technology for a particular business segment or product by leveraging internal manufacturing capabilities and by taking advantage of foundry relationships with key strategic partners. Further, it will allow us to scale internally or ramp capacity externally, to most effectively utilize our capital assets.

In keeping with this strategy, during fiscal 1999, we closed our manufacturing operations in San Jose, Calif. and moved the R&D group into our eight-inch factory in Hillsboro, Ore.—enjoying both the cost and time-to-market advantages associated with that consolidation. We believe that the transfer of both high-volume manufacturing and advanced process development to Hillsboro will be key to our future success.

Streamlining Operations

IDT reported revenue of \$540.2 million in fiscal 1999, down 8.0 percent from the \$587.1 million recorded in fiscal 1998. Excluding charges, the Company recorded a net loss of \$41.2 million for fiscal 1999, or \$0.50 per share, compared with net income of \$8.2 million, or \$0.10 per share in fiscal 1998.

Ever cognizant of the need to enhance IDT's competitive advantage in the marketplace, we implemented an aggressive operational restructuring program to bring costs in line with industry conditions during the first six months of fiscal 1999. The San Jose facility, as mentioned above, was closed after carefully evaluating operating costs and market prospects. We transferred production to our wafer fabrication facilities in Salinas, Calif. and Hillsboro. We reduced worldwide headcount and also discontinued a number of projects in development. These decisions were difficult and touched the life of every IDT employee, but we strongly believe they were in the long-term best interests of the Company and its stockholders.

In the second quarter of fiscal 1999, we also recorded a write-down of the asset carrying value of our Hillsboro facility. In total, all of these actions resulted in a reduction in IDT's asset book value of more than \$250 million during fiscal 1999.

Perhaps most significant, our restructuring program and this write-down lowered quarterly expenses by almost \$20 million and significantly contributed to the Company's return to profitability in the fourth quarter of fiscal 1999.

While pleased that our restructuring has led to better financial performance, we are by no means satisfied with our current position. We are committed to further improvement in fiscal 2000.

Building Value

Building stockholder value is critically important to IDT. It requires that we continually reevaluate our strategies. As such, we have moved the

Company away from the PC cache business into the broader communications market—witness IDT's product portfolio today and our key customers, most of which are in communications.

We have not yet achieved the same success diversifying into new business areas. Notably, neither the WinChip™ microprocessor division nor IDT's Clear Logic investment has yet contributed to IDT's profitability. While both have created substantial intellectual property and have significant potential, each face critical challenges moving forward. In the upcoming year, IDT will determine how these businesses can best contribute to our goal of increasing stockholder value.

In fiscal 2000, we will increase our focus on the parts of IDT that make the business successful and profitable. We will continue to make the tough decisions and develop the targeted strategies that best position the Company to serve the communications and computing marketplaces. With the dedication and commitment of IDT's talented employees, we will continue to work through these challenges with a team we believe is unequalled.

To all of our employees, stockholders, partners and customers, we extend our thanks for your ongoing support. Through strong focus, continued partnerships and outstanding new products, we look forward in fiscal 2000 to achieving greater success and ever-improving stockholder value.

Sincerely,

A handwritten signature in black ink, appearing to read 'L. Perham', with a large loop at the top and a long horizontal stroke at the bottom.

Leonard C. Perham
President and Chief Executive Officer

We are right in the center of a true communications revolution. The Internet, wireless technology, the convergence of voice and data, and the global acceptance of new technologies are accelerating demand for both network infrastructure products — the building blocks of these new global networks—as well as a whole new generation of network access solutions.

As a result, we have more powerful ways to get information, make purchases and talk to one another. At work, Internet and intranet technologies are the dominant means of information exchange, adding to the pressure on enterprise networks for more bandwidth and prioritization of traffic. At home, Web access is becoming a requirement for everything from planning a vacation and buying books to “chatting” with friends. The demand for access—all the time, anytime—is ongoing.

It’s hardly surprising then, that in the last few years, cellular handset sales have also grown at a phenomenal pace. As wireless networks become ever more ubiquitous, a new world of personal access devices and wireless applications is also beginning to emerge.

As voice, data and soon video, converge, high-speed data networks will begin handling legacy voice technology as well.

Get con

This has major implications for the “edge” of the network, where switches and routers must translate a wide variety of traffic types through backbone networks.

Finally, with the emergence of these technologies, fast-developing countries are leapfrogging existing voice and data technologies, moving to the latest in wireless technology and high-speed switching over fiber networks.

Enter IDT. We power the products that are changing the way the world communicates—with silicon solutions aimed at key sectors of the communications and computing markets. To address the needs of the global network, IDT’s silicon solutions are targeted at corporate LANs, storage networks, the Internet and broadband technologies. In the wireless world, we’re providing comprehensive solutions for cellular base stations. And we’re targeting a vast assortment of new personal access devices — from Internet-enabled PCs and set-top boxes to satellite dishes and cell phones. In short, IDT chips are at the heart of today’s communications revolution.

In the following pages, key executives discuss the strategies that take advantage of this extraordinary market growth and deliver value-added silicon solutions to the customers who are building the networks and access devices of tomorrow.

connected with IDT.

**It has been more than
three years since IDT realized
a significant profit.**

**Do you have a viable
business strategy to increase
the value of the Company?**



C O R P O R A T E R E S T R U C T U R I N G

Alan Krock, Chief Financial Officer

We took tangible steps in 1999 to reduce costs in our organization, increase operating efficiencies and asset utilization, and strengthen our ability to grow revenue. While there is more to do, ultimately, all of these strategic moves are aimed at one goal: increasing value to shareholders through improved financial performance.

To better position the company for the future and to provide more flexibility for the inevitable industry cycles, we significantly streamlined our manufacturing operations. We closed our six-inch San Jose, Calif. wafer fabrication facility and moved our San Jose-based process research and development (R&D) to our eight-inch Hillsboro, Ore. factory. Through reductions in assets and related carrying values, reductions in staff and the elimination of certain development programs, IDT pared costs by approximately \$20 million per quarter.

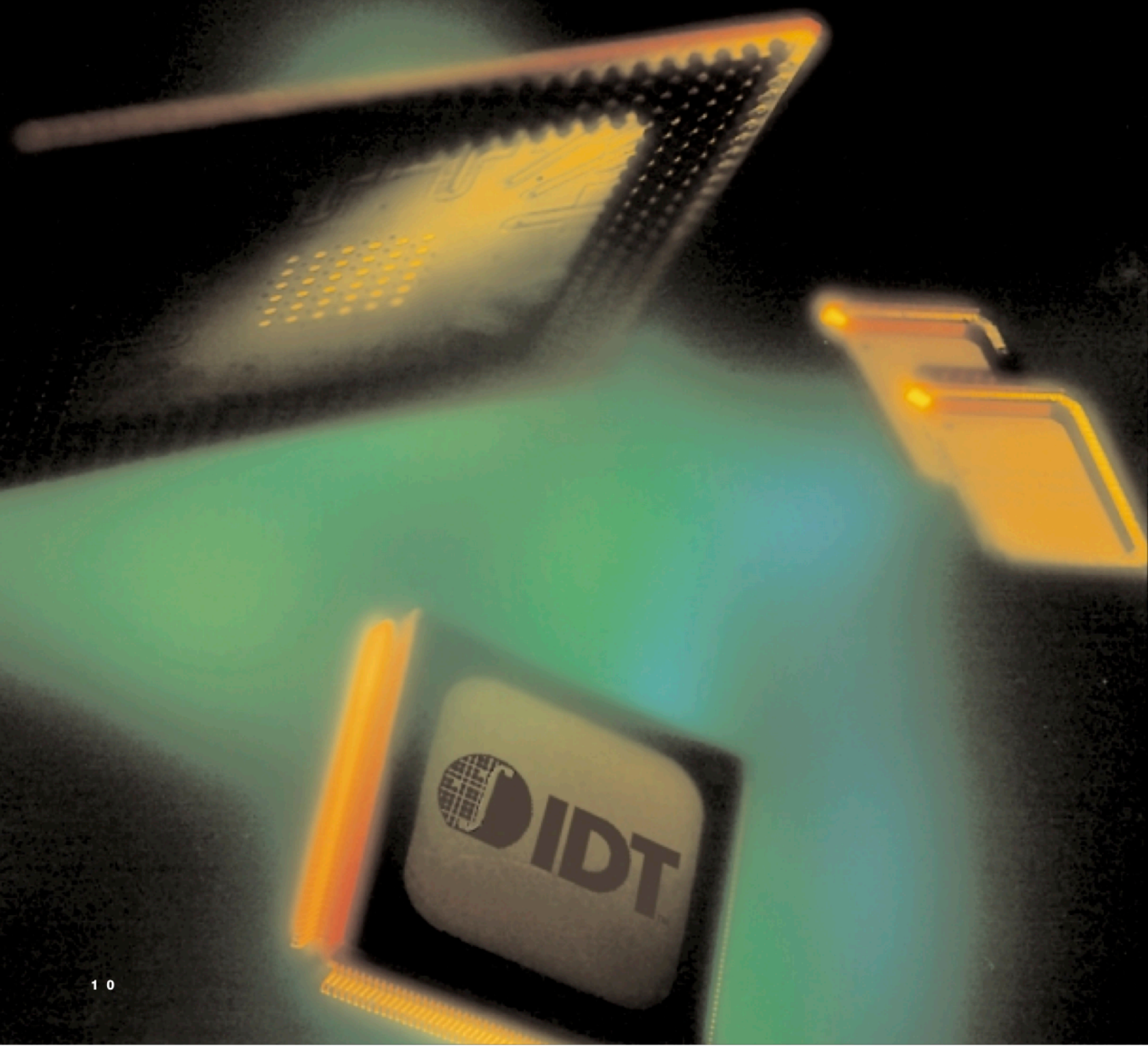
Recognizing the importance of a products-focused business model, we also worked in multiple areas to grow revenue. Investment in new products is beginning to spur revenue growth. We began to see the fruits of our R&D efforts with numerous industry-leading product introductions and customer design wins in fiscal 1999. As another means of increasing revenue and supplementing IDT's existing technical competencies, we pursued strategic alliances and acquisitions. Just after the close of the fiscal year, we completed our acquisition of Quality Semiconductor,

Inc. (QSI)— further strengthening our logic product portfolio and creating new revenue for IDT.

Combined, the cost-cutting measures and growth of our product portfolio returned the company to profitability in the fourth fiscal quarter. We believe the longer-term impact of these and future planned actions will contribute to our continued goal to improve IDT's financial results.

**IDT designs and manufactures
dozens of seemingly unrelated
ICs and product families.**

**Is there an overarching
product strategy or are you
simply targeting the latest
hot market?**





LEADING-EDGE PRODUCTS

Michael Miller, VP,
STG Communications Products

While our product portfolio may appear diverse, we focus on the high-growth and fast-converging worlds of communications and computing. In fact, nearly 70 percent of fiscal 1999's revenue was generated from communications applications.

With more than 20 years of experience meeting the needs of industry leading customers, IDT has amassed a wealth of knowledge about the systems our customers build. We leverage this understanding of systems to define and build ICs that solve specific system-level design challenges in the communications and computing markets. All of our products — communications memories, networking products, microprocessors, SRAMs, logic devices and board-level products — are designed to meet system requirements and provide unique value to our key customers with ever increasing performance, higher levels of integration and increased functionality.

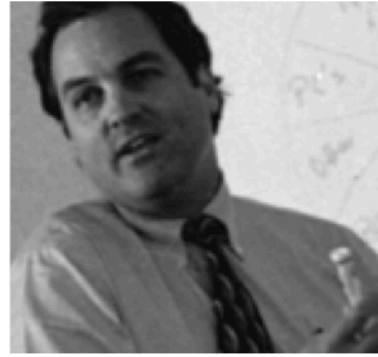
For example, IDT pioneered the Zero Bus Turnaround™ (ZBT®) architecture, not simply to get a faster memory product to market, but to solve a system-level performance bottleneck and help our customers usher in a new generation of advanced switching systems. It quickly became the architectural standard for communications SRAM. In 1999, we began shipping the fastest 4-Mbit ZBT SRAM available. Likewise, our SWITCHStAR™ switching chipset and architecture offered a whole new approach to building high-performance, low-cost, remote access switches. We also introduced a range of SWITCHStAR support devices to provide an even more complete single-vendor solution. With the introduction of IDT's RC5000™ microprocessor, which

runs at 250 MHz and routes eight million packets per second, we have continued to drive routing performance. And, we have pushed the price/performance limits of our entire embedded RISController™ microprocessor family — enhancing our digital signal processing and introducing a new line of system controllers to provide higher levels of integration — all to help systems engineers overcome the challenges of building complex communications systems for today's wired world.

Many of our customers leverage multiple IDT products to build next-generation communications systems. As just one example, a gigabit switch router could contain nearly a dozen IDT ICs — from ZBT SRAMs and dual-port memories, to a RISController CPU, bi-synchronous FIFOs and ATM PHYs.

With the communications market undergoing a massive merger and acquisition frenzy, the whole competitive landscape is changing.

How can a company your size compete and effectively meet the needs of these new mega-customers?



CUSTOMER FOCUS

Dave Côté, VP, Sales and Marketing

It is true that the markets we serve are experiencing extraordinary change. For IDT, the real key to advancing in today's market is two-fold: we must **anticipate — early and in detail—what our key customers will need and we must **act quickly and effectively** to meet the fast-evolving business goals and objectives of our customers.**

Building great products is key to our success, but so too is building and growing great relationships with key customers. Value-added services, knowledgeable account teams, and innovative information delivery systems are increasingly essential.

IDT is working to ensure we have the value-added ICs as well as the services and relationships available to provide a true edge. For example, in 1999, IDT began to establish global account teams to oversee key customer relationships worldwide. Already, many of our top-tier customer accounts have a dedicated IDT account manager. This IDT professional is responsible for overseeing all account activities on a worldwide basis and serving as the central point

of contact for critical issues— from contract negotiations to delivery.

While relationships with original equipment manufacturers (OEMs) are critical to our success, so too are relationships with a rapidly growing group of customers: contract equipment manufacturers (CEMs), which provide outsourced manufacturing for many of our key customers.

To better meet the shipping and planning requirements of OEM and CEM customers, we are completely updating our order management, planning and shipping systems. Comprising SAP, i2 planning and other software, these Year 2000-compliant, integrated systems will allow us to respond quickly and efficiently to changing supply chain requirements— from logistics to payment options to stocking requirements.

Finally, we leverage the Web with an ever-growing array of applications to ensure that our customers have quick, efficient and self-directed access to important IDT information. Today, this includes personalized product information, and will in the future include everything from disclosure of technical details all the way to electronic commerce applications. In fiscal 1999, we pioneered an innovative, on-line technical delivery service that can be customized by our customers to automatically broadcast targeted information on demand— enabling us to provide greater value and increase customer satisfaction.

**To be successful in today's
market, companies must
continually reinvent themselves.**

**How is IDT evolving to meet
the changing dynamics of the
global marketplace?**



FOCUSED BUSINESS MODEL

Jerry Taylor, Executive VP

The most fundamental and far-reaching change we've made to our strategy involves our focus: IDT has transitioned from a manufacturing-oriented business model to a value-added, products-based business model. This shift has affected every facet of our business.

Delivering value-added products to key customers in the most expedient timeframe possible is what distinguishes the market leaders of today and tomorrow. Accordingly, we are in the process of focusing all aspects of our business on ensuring that we're building value-added products for the right markets — and getting them to market fast.

With a products-focused business model, our priorities and investment dollars have shifted. While we previously focused on filling our manufacturing factories to capacity in an era when commodity products dominated, today our emphasis is on building value-added products and delivering them at the right time — using a variety of design and manufacturing resources.

For example, we leverage innovative design techniques that enable integration and reuse of intellectual property (IP) modules across a wide variety of products — helping us move new products quickly from design and manufacturing to our customers. We also leverage both our own fabrication facilities and foundry and assembly relationships with strategic partners. As a result, we can tune our manufacturing strategy for a particular business segment or product. What's more, while a percentage of our R&D resources are aimed at improving manufacturing process technologies, the dominant share of our R&D funds is now allocated to new product development. All of these actions support our new business model.

The results of these actions thus far have been encouraging. In addition, delivering more value-added products, such as communications memories and networking products, to our customers, we were able to increase gross margin percentages from the mid-30s to the mid-40s during the fourth fiscal quarter. Increasing gross margins is an important component of a new cost structure instituted in 1999. In line with our new cost goals, we are making concerted efforts to bring our research and development, and sales, general and administrative costs in line with revenues. Ultimately, our new value-added products-based business model and cost structure are the foundation for building greater stockholder value in 2000 and beyond.

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With the exception of historical information, the matters discussed in this document are forward-looking statements that involve risks and uncertainties including, but not limited to, pricing and competition, demand and industry capacity, domestic and international economic conditions, new product and technology development, manufacturing expansion and capacity utilization, availability of raw materials, stock market valuation and Year 2000 software issues. Actual results may differ materially. Please refer to the Company's filings with the Securities and Exchange Commission, including Form 10-K.

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Form 10-K

A copy of the Company's Form 10-K, filed with the Securities and Exchange Commission, without exhibits, is available upon request by contacting:
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