

SECURITIES AND EXCHANGE COMMISSION

FORM DEFA14A

Additional definitive proxy soliciting materials and Rule 14(a)(12) material

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SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

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Check the appropriate box:

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Integrated Silicon Solution, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Notes:

Integrated Silicon Solution Inc. may use the following slides in discussions with stockholders.





INTEGRATED SILICON SOLUTION, INC.

**Proposal to Increase Authorized Equity Awa
At February 8, 2013 Annual Meeting**

**Stockholders are urged to carefully review ISSI' s proxy statement dated Jan
further information about this proposal and other matters related to ISSI and i
of stockholders.**

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Overview

Proposal

- # ISSI requests stockholder approval to increase its authorized awards by 2 million shares
 - Increase expected to cover the next two years
 - As of record date, only 391,000 shares remain under the current authority

Situation

- # Certain proxy advisor firms (“proxy advisors”) may recommend a vote to subscribers

ISSI Position

- # Proxy advisor calculations do not appropriately reflect the stockholder return ISSI has generated through incentivized performance and share repurchases. We ask stockholders to vote YES on our proposal.

Key Considerations

- ✦ Equity awards are an important incentive to recruit and motivate our employees.
- ✦ 70% of our equity awards are granted to non-executive employees
- ✦ ISSI base salaries are below peer company averages
- ✦ Our equity award burn rate is within published peer advisor guidelines
- ✦ Our stock compensation expense is below our peer companies as a percentage of revenue and market value

Key Considerations

- # ISSI Book Value Per Share has grown at a 13.2% over the last four years on a fully-diluted basis
- # ISSI stock price has outperformed the SOX, Russell 2000 and NASDAQ over the last five years
- # ISSI has repurchased 14 million shares in the last five years, returning significant value to stockholders
- # In the last five years, ISSI has transitioned to a more sustainable and profitable business model.

Option & RSU Burn Rate

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Common Shares Outstanding at Fiscal Year End	26,217	26,448	27,500
Granted Options and RSUs	1,073	1,556	1,700
ISSI Unadjusted Burn Rate			
Adjustments:			
RSUs given to Officers in Lieu of Earned Cash Bonus	-	(189)	-
New Hire Option Grants to Si En and Chingis employees	-	(293)	(400)
ISSI Adjusted Option & RSU grants	<u>1,073</u>	<u>1,074</u>	<u>1,200</u>
ISSI Adjusted Burn Rate			

ISSI is within published proxy advisor guidelines for “burn rate” even before adjusting for special items.

Equity Awards - Good Value Proposition

<u>Fiscal Year</u>	<u>Stock Compensation Expense</u>	<u>Cash from Option Exercises</u>	<u>Cash from ESPP</u>	<u>Shares Issued</u>
2012	\$5,031	\$4,439	\$1,413	1,203
2011	\$4,042	\$2,146	\$1,239	740
2010	\$2,497	\$5,279	\$687	1,347
2009	\$3,096	\$81	\$657	441
2008	\$3,646	\$415	\$734	275
2007	\$3,940	\$1,461	\$0	224
2006	\$4,639	\$769	\$1,067	412
2005	\$2,023	\$2,797	\$999	1,022
2004	\$3,305	\$7,650	\$1,116	1,847
2003	\$4,381	\$2,363	\$867	802
2002	\$5,505	\$1,659	\$992	549
2001	\$6,409	\$2,532	\$1,125	751
2000	\$6,685	\$5,461	\$859	1,241
1999	\$3,214	\$2,064	\$699	791
1998	\$959	\$1,674	\$1,379	706
	<u>\$59,372</u>	<u>\$40,790</u>	<u>\$13,833</u>	<u>12,351</u>
			\$113,995	\$9.23

If ISSI did not pay for stock options or RSUs, it would have paid an equivalent amount in cash, it would have had to raise \$114 million to have the same cash balance as it does today.

Above data is from ISSI Form 10-Ks filed with the SEC

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Overhang and FAS 123R

	<u>Total Overhang</u>	<u>FAS123R Market Cap.</u>
Peer Companies	19.1%	2.1%
ISSI	22.2%	1.5%

ISSI overhang is only slightly higher than its peers. However, ISSI has much lower stock compensation expense compared to peers, and ISSI has repurchased 34% of its shares over the past 5 years.

Above metrics are calculated from Form 10-Ks filed with the SEC and from Market Capitalization amount

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Comparable Option/RSU Overhang

<u>Stock Symbol</u>	<u>Options Outstanding</u>	<u>Outstanding Shares</u>	<u>Option Overhang</u>	<u>RSUs Outstanding</u>	<u>Total</u>	<u>Total Overhang</u>	<u>Adj</u>
VLTR	5,401	24,804	21.8%	262	5,663	22.8%	23
ANAD	4,275	69,394	6.2%	1,970	6,245	9.0%	13
AMCC	4,164	61,879	6.7%	9,244	13,408	21.7%	36
DSPG	7,428	22,502	33.0%	0	7,428	33.0%	33
ENTR	11,071	87,160	12.7%	626	11,697	13.4%	14
IXYS	5,472	37,352	14.6%	601	6,073	16.3%	17
IPHI	4,259	27,882	15.3%	0	4,259	15.3%	15
EXAR	6,345	45,245	14.0%	604	6,949	15.4%	16
GSIT	5,626	27,618	20.4%	0	5,626	20.4%	20
IKAN	12,498	69,332	18.0%	527	13,025	18.8%	19
LSCC	9,287	117,675	7.9%	1,077	10,364	8.8%	9
MSPD	2,588	34,515	7.5%	2,055	4,643	13.5%	19
PSEM	2,453	23,565	10.4%	504	2,957	12.5%	14
POWI	3,577	28,066	12.7%	458	4,035	14.4%	16
SIGM	5,846	32,878	17.8%	231	6,077	18.5%	19
SIMG	5,937	64,455	9.2%	2,983	8,920	13.8%	18
MCRL	7,960	61,038	13.0%	667	8,627	14.1%	15
MPWR	4,863	33,826	14.4%	1,300	6,163	18.2%	22
						16.7%	19
ISSI	5,477	27,600	19.8%	323	5,800	21.0%	22

Adjusted overhang uses 2X multiple on RSUs

The list of peer companies is from ISSI's proxy filing dated January 8, 2013. Data is from each most recently filed Form 10-K.

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Stock Repurchases

- # In past five years, ISSI has repurchased 14.2 million shares for \$88.5 million; average price of \$6.24 per share
- # ISSI current shares outstanding is about 28 million shares; therefore outstanding shares reduced
- # ISSI has additional \$19.8 million remaining on authorized repurchase plan

ISSI believes overhang and dilution calculations should consider the benefit of share repurchase activity. Instead, some proxy advisor calculations penalize companies such as ISSI for returning capital to stockholders through a share buyback program.

Fully Diluted Book Value Per Share

<u>Fully Diluted</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Shares Outstanding	32.6	30.0	30.5	31.6	32.6
Stockholders' Equity	\$168.9	\$148.5	\$198.2	\$262.2	\$281.1
Book Value Per Share	\$5.18	\$4.95	\$6.50	\$8.30	\$8.62

<u>Tangible Fully Diluted</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Shares Outstanding	32.6	30.0	30.5	31.6	32.6
Stockholders' Equity	\$168.9	\$148.5	\$198.2	\$262.2	\$281.1
Intangibles	(\$2.0)	(\$3.6)	(\$2.6)	(\$20.5)	(\$20.5)
Tangible book value	\$166.9	\$144.9	\$195.6	\$241.7	\$260.6
Tangible Book Value Per Share	\$5.12	\$4.83	\$6.41	\$7.65	\$7.99

ISSI has significantly grown its Book Value Per Share over the last five years.

Above data is from ISSI Form 10-Ks filed with the SEC.

ISSI Peer Companies

- ✦ Anadigics, Inc. (ANAD)
- ✦ Applied Micro Circuits Corp. (AMCC)
- ✦ DSP Group, Inc. (DSPG)
- ✦ Entropic Communications, Inc.(ENTR)
- ✦ Exar Corp. (EXAR)
- ✦ GSI Technology, Inc. (GSIT)
- ✦ Ikanos Communications, Inc. (IKAN)
- ✦ IXYS Corporation (IXYS)
- ✦ Inphi Corporation (IPHI)
- ✦ Lattice Semiconductor
- ✦ Micrel, Inc. (MCRL)
- ✦ Mindspeed Technology
- ✦ Monolithic Power System
- ✦ Pericom Semiconductor
- ✦ Power Integrations, Inc.
- ✦ Sigma Designs, Inc. (S
- ✦ Silicon Image, Inc. (SIF
- ✦ Volterra Semiconductor

These are the peer companies used by our Compensation Committee in evaluating our executive compensation program.

The list of peer companies is from ISSI's proxy filing dated January 8,

Summary

- # Equity awards have been a successful and cost effective recruit, retain, and motivate ISSI employees.
- # The quantitative methodologies of certain proxy advisors ISSI for stockholder friendly repurchases and do not account for stockholder value creation.
- # ISSI has demonstrated that its equity incentives preserve growth without added dilution to stockholders compared compensation costs.
- # ISSI' s incentive plans have helped it outperform the SOX and Nasdaq over the last five years.

We ask our stockholders to vote YES on our proposal to increase the authorized equity awards based on ISSI' s proven use of incentive compensation and proven stockholder re