



## **GSI Technology, Inc. Announces First-Quarter Fiscal 2008 Results**

August 2, 2007

SANTA CLARA, Calif.--([BUSINESS WIRE](#))--**GSI Technology, Inc. (Nasdaq:GSIT)** today announced financial results for its first fiscal quarter ended June 30, 2007. For the quarter, the Company earned net income of \$1.1 million, or \$0.04 per diluted share, on revenues of \$11.3 million, compared to net income of \$2.1 million, or \$0.09 per diluted share, on revenues of \$14.0 million in the comparable period a year ago. Diluted earnings per share for the quarter ended June 30, 2007 includes the impact of the Company's issuance of 6,131,111 new shares in its initial public offering that closed on April 3, 2007.

According to Lee-Lean Shu, president and chief executive officer, "The lower-than-anticipated first-quarter revenues were principally due to overall weakness in the telecommunications segment of the network equipment market resulting in decreased orders from our distributors as they, and a number of our OEM customers who buy from them, adjusted their inventories. In addition, direct and indirect sales to Cisco Systems, our largest customer, were down approximately 14% from the previous quarter due, in part, to the continued impact of the implementation of its lean manufacturing program. During the quarter, Cisco Systems' contract manufacturers further curtailed their purchases of our products as they continued to work against their existing inventories."

Gross margin was 39.1% compared to 36.8% in the prior quarter and 39.9% a year ago. "Despite disappointing revenues, we were pleased that our gross margin improved substantially over the previous quarter," said Shu. "The sequential improvement in gross margin reflects a shift in product mix toward a larger percent of higher price, higher density products."

Operating margin was 9.7% compared to 15.6% in the prior quarter and 21.3% a year ago. The decline was due primarily to an increase in selling, general and administrative expenses —to \$2.2 million from \$1.8 million last quarter —attributable to a variety of factors, including increases in outside accounting fees, legal fees, insurance costs and consulting expenses, most of which were related to GSI Technology becoming a public company.

Total stock-based compensation costs for the first quarter were \$387,000 compared to \$406,000 in the fourth quarter of 2007.

Inventory decreased from \$24.2 million at March 31, 2007 to \$21.1 million at June 30, 2007 due to a reduced level of wafer purchases in the first quarter compared to the two prior quarters.

At June 30, 2007, the Company had \$42.8 million in cash, cash equivalents and short-term investments, \$64.6 million in working capital, and shareholders' equity of \$70.2 million.

Regarding the outlook for the quarter ending September 30, 2007, Mr. Shu said, "Although forecasting revenues is difficult, we currently expect second quarter net revenues to be in the range of \$12.5 million to \$13.5 million, with gross margins comparable to the first quarter. We expect net income to be in the range of \$1.4 million to \$1.6 million, or approximately \$0.04 to \$0.05 per diluted share, based on approximately 29,100,000 shares. Initial results early in the quarter suggest that demand for our core products is strengthening. We also expect Cisco Systems business to improve in the second quarter, although we do not expect a return to historical levels this quarter."

### **About GSI Technology**

Founded in 1995, GSI Technology, Inc. is a leading provider of high-performance static random access memory, or SRAM, products primarily incorporated in networking and telecommunications equipment. Headquartered in Santa Clara, California, GSI Technology is ISO 9001 certified and has worldwide factory and sales locations. For more information, please visit [www.gsitechnology.com](http://www.gsitechnology.com).

### **Conference Call**

GSI Technology plans to review its financial results for the first quarter of its fiscal year ending March 31, 2008 and discuss its current business outlook during a conference call for investors at 4:30 p.m. EDT (1:30 p.m. PDT) today, August 2, 2007. You may also listen to the teleconference live via the Internet at [www.gsitechnology.com](http://www.gsitechnology.com) or [www.earnings.com](http://www.earnings.com). To listen to the teleconference, please call toll-free 877-717-3046 (or 706-634-6364 for international callers) approximately 10 minutes prior to the start time. For those unable to attend, these web sites will archive the call.

### **Forward-Looking Statements**

The statements contained in this press release that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding GSI Technology's expectations, beliefs, intentions, or strategies regarding the future. All forward-looking statements included in this press release are based upon information available to GSI Technology as of the date hereof, and GSI Technology assumes no obligation to update any such forward-looking statements. Forward-looking statements involve a variety of risks and uncertainties, which could cause actual results to differ materially from those projected. These risks include those associated with fluctuations in GSI Technology's operating results; GSI Technology's historical dependence on sales to a limited number of customers and fluctuations in the mix of customers in any period; the rapidly evolving markets for GSI Technology's products and uncertainty regarding the development of these markets; the need to develop and introduce new products to offset the historical decline in the average unit selling price of GSI Technology's products; the challenges of rapid growth followed by periods of contraction; and intensive competition. Further information regarding these and other risks relating to GSI Technology's business is contained in the company's filings with the Securities and Exchange Commission, including those factors discussed under the caption "Risk Factors" in such filings.

**GSI TECHNOLOGY, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(Unaudited)**

	<b>Three Months Ended</b>		
	<b>June 30,</b>	<b>March 31,</b>	<b>June 30,</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>
Net Revenue	\$ 11,305	\$ 13,979	\$ 13,973
Cost of goods sold	6,886	8,829	8,395
Gross profit	4,419	5,150	5,578
Operating expenses:			
Research & development	1,132	1,195	1,287
Selling, general and administrative	2,187	1,768	1,318
Total operating expenses	3,319	2,963	2,605
Operating income	1,100	2,187	2,973
Interest and other income, net	465	187	185
Income before income taxes	1,565	2,374	3,158
Provision for income taxes	511	958	1,048
Net income	\$ 1,054	\$ 1,416	\$ 2,110
Earnings per share, basic	\$ 0.04	\$ 0.19	\$ 0.30
Earnings per share, diluted	\$ 0.04	\$ 0.06	\$ 0.09

Weighted-average shares used in computing per share amounts:

Basic	27,133	6,300	6,181
Diluted	28,790	23,063	22,642

Stock based compensation included in the Condensed Consolidated Statement of Operations:

	<b>Three Months Ended</b>		
	<b>June 30,</b>	<b>March 31,</b>	<b>June 30,</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>
Cost of goods sold	\$ 85	\$ 73	\$ 19
Research & development	128	144	47
Selling, general and administrative	174	189	45
	\$ 387	\$ 406	\$ 111

**GSI TECHNOLOGY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)****(Unaudited)**

	June 30, 2007	March 31, 2007
Cash and cash equivalents	\$ 15,287	\$ 4,275
Short-term investments	27,483	4,000
Inventory	21,100	24,209
Other current assets	7,985	11,686
Net property and equipment	4,832	4,745
Other assets	1,027	995
Total assets	\$ 77,714	\$ 49,910

Current liabilities	\$ 7,230	\$ 11,171
Long-term liabilities	\$ 284	
Redeemable convertible preferred stock	-	9,007
Stockholders' equity	70,200	29,732
Total liabilities and stockholders' equity	\$ 77,714	\$ 49,910

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