GSI Technology, Inc.

First Quarter Fiscal 2027 Results

July 30, 2026

CORPORATE PARTICIPANTS

Lee-Lean Shu, *Chairman, President, and Chief Executive Officer*

Didier Lasserre, *Vice President of Sales*

Douglas Schirle, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

David Williams, *Needham & Company*

PRESENTATION

Operator

Welcome to GSI Technology's First Quarter and Fiscal Year 2027 Results Conference Call.

At this time, all participants are in a listen-only mode. Following Management's prepared remarks, we will conduct a question-and-answer session. At that time, we will provide instructions for those interested in joining the Q&A queue.

Before we begin today's call, GSI Technology has requested that I read the following Safe Harbor Statement. The matters discussed in this conference call may include forward-looking statements regarding future events and the future performance of GSI Technology that involve risks and uncertainties that could cause actual results to differ materially from those anticipated. These risks and uncertainties are described in the Company's Form 10-K filed with the Securities and Exchange Commission.

Additionally, I have also been asked to advise you that this conference call is being recorded today, July 30, 2026, at the request of GSI Technology.

Lee-Lean Shu, the Company's Chairman, President, and Chief Executive Officer, will be hosting the call today. With him are Douglas Schirle, Chief Financial Officer, and Didier Lasserre, Vice President of Sales.

I would now like to turn the conference over to Mr. Shu. Please go ahead, sir.

Lee-Lean Shu

Hello, and thank you for joining us.

I would like to begin by talking about where GSI is today and where we are headed. Didier will get into the details, but let me start with my view of the business.

Over the past several years, we have worked hard to move GSI from an SoC chip company into an edge AI platform company to address a large and growing market for our technology. With the APU, we fill an important gap in the edge AI market. Traditional GPU delivers strong AI performance but consumes too much power for many edge applications. The mobile processor offers lower power but cannot deliver the AI performance required for many real-time workloads. The APU uses less power than traditional GPUs while delivering higher performance than today's mobile processors. We believe that our APU delivers the performance and low power usage we set out to achieve.

Today, we have a Gemini-II production chip ready for customers. We are now in the next phase of GSI, turning the APU technology into a business. The first quarter shows disciplined execution as we continue advancing our ongoing projects while pushing ahead with development. For the next 18 months, our priorities are clear. Successfully completing our current proof of concept project, expanding Gemini-II into adjacent applications, and releasing our AI-assisted SDKs this fall. At the same time, we currently expect to keep Plato on schedule for tape-out in March 2027.

With that, I turn the call over to Didier, who will provide further detail on this point. Please go ahead, Didier.

Didier Lasserre

Thank you, Lee-Lean.

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As Lee-Lean said, we've reached a pivotal point in the evolution of our APU business. We have a Gemini-II solution for proof-of-concept projects across a variety of edge AI applications. Our focus has shifted from proving our technology to turning customers into proof-of-concept projects. Ultimately, our goal is to secure design wins that could lead to commercial deployments and meaningful APU revenue.

Our near-term strategy is to work closely with a small number of customers and system integrators on proof-of-concept projects and applications that are well-suited to the APU's advantages. Rather than developing a unique solution for every customer, we found that we can adapt the software and development tools created from one application to an adjacent one. This will allow us to expand into new edge AI applications more quickly and efficiently. We've already demonstrated this by applying many of the capabilities developed for the Sentinel POC to our Smart City project, and we expect to build on that foundation as we pursue new opportunities and other edge AI applications.

During the first quarter, we made successful, meaningful progress on our projects, POCs, and SBIRs. Each of these position Gemini-II for broader commercial adoption. I'll begin with Sentinel, which is a good example of our customer adoption strategy. GSI has successfully completed all of its deliverables for the first phase, including providing both the chip and the software. A laboratory test of the Sentinel POC was recently conducted in collaboration with G2 Tech and the participating defense agencies.

Sentinel is an application where Gemini-II's performance per watt provide a clear advantage, and the platform's results in the lab test confirmed this, with a time-to-first token, also known as TTFT, of 2.4 seconds. Preparation for the field demonstration continues under G2 Tech's leadership. We have completed all of GSI's deliverables for this next part of the POC as well. The timing of the field demonstration is now dependent on G2 Tech.

Turning to our Smart City project in Hsinchu County, Taiwan, we continue to meet our phase one deliverables, which means we will soon be shipping the Gemini-II chips, servers, and software supporting the rollout for 20 cameras. We remain on track to complete the phase one deployment in November. If selected for phase two, the project would expand to approximately 80 cameras and would add audio to the video from phase one. This next phase would provide both additional hardware and software licensing revenue.

The Smart City platform now includes a smart query capability that allows users to search surveillance footage using natural language. For example, an operator can simply ask, did you see a person matching this description yesterday? The system can quickly analyze recorded video, identify relevant events, and locate potential matches without requiring manual review of hours of footage.

Switching to our government-funded SBIRs, we're pleased to have launched our U.S. Army phase two program with a formal kickoff meeting. We have begun preliminary work on developing a ruggedized Gemini-II system for Army applications. In another SBIR for the Space Development Agency, we successfully completed radiation testing on a standard commercial Gemini-II device with no device optimization for withstanding radiation.

In the test, the off-the-shelf chip continued to be operational under radiation levels found in harsh space environments. The testing achieved the radiation tolerant threshold typically required for radiation-hardened application and showed no single event latch-ups, also known as SELs. The absence of SELs is important because that reduces technical risk for companies evaluating the device and shows that our standard chip may be suitable for some space and high-altitude applications.

Before I conclude, I'd like to briefly update you on an important software milestone this fiscal year. In the past, you've heard us mention plans to release an AI compiler. We have expanded on that vision and are developing an AI-assisted SDK, as Lee-Lean mentioned. This is expected to significantly accelerate AI model development and the deployment on Gemini-II. The alpha release is currently targeted for this fall.

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One big advantage found in early testing shows the AI-assisted SDK significantly reduces application development time. In one representative case, adapting an AI model to run on Gemini-II previously took one engineer about a year, but the AI-assisted SDK, that work was completed in less than a month. This will help us support a broader range of customer applications while enabling us to work with more partners and system integrators. The AI-assisted SDK will also accelerate software development for Plato by allowing algorithms and models to be ported more quickly, allowing us to bring final applications to the market sooner.

To summarize, we're pleased with the progress made in the first quarter on our POCs and SBIRs. Our focus for the remainder of this fiscal year remains on executing our Gemini-II strategy, specifically completing our current proof of concept projects, expanding to adjacent applications, and completing the software tools needed to support broader commercialization. Together, these initiatives will make Gemini-II easier to deploy, enabling us to support more customers and over time scale our business through system integrators. In parallel, we are heads down on the Plato design and remain on track to tape out an early calendar 2027.

With that, I'd like to hand the call over to Doug. Go ahead, Doug.

Douglas Schirle

In the earnings release we issued today after the market closed; you'll find a detailed summary of our first quarter fiscal 2027 financial results. In my comments to follow, I'll focus on the key drivers behind our performance and provide some additional context around the quarter.

Revenue in the first quarter of fiscal year 2027 of $6.3 million was at the midpoint of our guidance range. In line with the prior quarter end up modestly from the first quarter of fiscal year 2026. Overall, our SRAM revenues remain stable. As is typical in our business, customer demand can vary from quarter to quarter, which can impact both our revenue and gross margin.

In the first quarter fiscal 2027, combined sales to KYEC and Cadence represented approximately 23% of net revenues, compared with the prior quarter in which KYEC represented 22.3% of net revenues and there are no shipments to Cadence. We expect continued shipments to customer-supporting AI chip design and semiconductor manufacturing. However, given the nature of our customer base, order patterns may continue to vary from quarter to quarter.

Gross margin for the quarter was 53.4%, although slightly below our guided range of 54% to 56%. Gross margin improved 100 basis points sequentially. Compared to the year ago quarter, gross margin was lower, primarily due to product mix, which can fluctuate based on the timing and composition of customer shipments.

Operating expenses for the quarter rose to $8.8 million compared to $5.8 million in the prior year period. Our operating expenses increased year-over-year, primarily due to costs related to Gemini-II software and Plato chip development.

Research and development expenses were $5.9 million, increasing modestly from the prior quarter and by $2.8 million compared with the year ago period. The year-over-year increase primarily reflects our ongoing investment in the development of our next generation Plato processor. Some of the increase in R&D also reflects lower SBIR funding recognized this quarter compared with the prior year period, as well as a higher software development cost from our Israeli-based team, primarily due to the strengthening of the Israeli shekel relative to the U.S. dollar. Both of these items are variable in nature.

SBIR funding is an offset to our development costs related to ongoing SBIR projects and fluctuates from quarter to quarter based on the timing of project milestones and related reimbursements. Our software development costs can be affected by movements in the Israeli shekel relative to the U.S. dollar.

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Higher operating expenses increased the operating loss for the first quarter of fiscal 2027 to $5.4 million compared to an operating loss of $2.2 million in the prior year quarter, while remaining relatively flat on a sequential basis. The first quarter net loss included interest and other income of $517,000, primarily from interest payments on the cash balance.

Turning to cash flows for the quarter ended June 30, 2026, in thousands of dollars. Cash and cash equivalents as of March 31, 2026, were $67.2 million. Net cash used in operating activities was $3.9 million. Net cash used in investing activities was $300,000. Net cash provided by financing activities was $14 million.

Cash and cash equivalents as of June 30, 2026, were $77 million. Net cash from financing includes $9.3 million in ATM proceeds in the quarter and $4.8 million from employee stock option exercises. Many of these exercises were associated with stock options granted up to approximately 10 years ago that were nearing expiration, making this an unusually high level of option exercise activity.

We continue to expect cash usage to remain at current levels as we complete Gemini-II software development and advance Plato toward a tape out. Based on our current operating plan, we anticipate using approximately $4 million of cash per quarter, or about $16 million annually, although the timing may vary depending on development milestones and program activity.

We ended the quarter with $77 million in cash and no debt. This compares to $67.2 million for the fiscal 2026 year-end of March 31, 2026. This is a notable improvement from the year-ago first quarter cash balance of $22.7 million and reflects the $46.9 million net of fees from the registered direct offering proceeds that closed in October 2025. With no debt and a strengthened cash position, we have confidence that we have the resources to continue investing in our strategic priorities while maintaining a disciplined approach to capital allocation.

Based on our current operating plan, our existing cash resources provide sufficient runway to complete the Gemini-II software development, support customer evaluations, and fund a tape out of our next-generation Plato processor.

Before I conclude, I'd like to briefly address a housekeeping item. In the next few months, we expect to file a replacement for our universal shelf registration, restoring its capacity to $100 million. We have no current plans to raise additional capital. Maintaining an effective shelf registration is prudent corporate practice that preserves our financial and strategic flexibility should opportunities arise. As demonstrated last year, having an effective shelf in place allowed us to opportunistically strengthen our balance sheet during a period of strong share price performance. We view maintaining that flexibility as good corporate governance and not as an indication of any change in our current capital plans.

Before I hand the call over to the Operator for Q&A, I'd like to provide the second quarter fiscal outlook. For the upcoming second quarter, we expect net revenues in the range of $5.7 million to $6.5 million, with gross margin of approximately 53% to 55%.

Operator, at this point, we will open the call to Q&A.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we plan for questions.

The first question is from David Williams from Needham. Please go ahead.

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David Williams

Hey, good afternoon, everyone. Thanks for taking my questions, and congrats on the success here. You know, it seems like you're making lots of great progress. You touched on this a little bit during the call, but I'm just curious if you could talk maybe a little bit about how transferable some of the technical work that you've completed for these POC programs, how transferable is that maybe across some of the new applications? What does that imply, maybe, for the pace you can expand the POC pipeline without really having to drive increased engineering headcount?

Didier Lasserre

Hi, David. Thank you. Excuse me. Sorry. Thank you for the question. Yeah, so it's very transferable. One of the key elements that we always allude to with the Sentinel POC is this time to first token parameter. That is also important with the Smart City, and it's also important in some of these other POCs that we're looking at as well. There are other features besides that, that fall under the Vision Language Model that are also transferable. Yeah, what's nice is when we went from the Sentinel drone POC to the Smart City, it wasn't a complete new haul. We were able to leverage a lot of what we've had in the past, and that will be true for some of these other POCs that we're looking to engage in.

Now, that along with the AI-based SDK, that will also dramatically increase the algorithms that we can deploy for these new applications. Between the leveraging from the last use case to the additional tools that are coming in fall, yeah, we're looking to be able to leverage these other markets more quickly.

Does that answer your question?

David Williams

It does. Thanks so much for that. Then maybe secondly, if you don't mind, is just on the system integrator relationships and maybe the timeline to formalizing some of that. How mature do you think the SDK applications and maybe that framework needs to be before the system integrators can employ that Gemini-II into their environments?

Didier Lasserre

Yeah, that's a good question. It's going to depend on the market and it's going to depend on the system integrator. What our strategy has been is going into a market, a new market, and doing really the work ourselves. We're doing that right now with the drone Sentinel POC. We are doing that obviously with the smart city in Taiwan POC. As I mentioned, we have a couple others we're looking at. I'm sure we'll be doing those initial ones ourselves. The reason for that is to show that the GSI APU solution is strong for all those markets.

Once we've proven that, then it's much easier to attract these integrators because we don't have the manpower internally to go after the slew of different customers in these markets because their solution will be slightly customized and they won't be identical for each. It will be critical for us to get these system integrators and for them to be able to address all the different customers with their slight unique customization, that SDK will be important or the AI SDK. That's why we're working hard on that. As we discussed, we anticipate having it in fall of this year.

David Williams

Okay, perfect. Just one last one here, maybe if I can. Just on the radiation hardening that you've talked about there, what do you think that that means for the aerospace and defense sector? Does that maybe open up over time, maybe a new revenue stream? Maybe just talk about the implications or what that brings to the business. Thanks.

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Didier Lasserre

Yeah, thanks for that question. Absolutely. It will absolutely increase the opportunity for revenue. If you look at what's happening now, and I'm sure you've read plenty, they're trying to put more and more intelligence and AI into space itself. Historically, GPUs have not fared well under radiation testing and environments. There really is a need for an AI-based processor out there.

With that said, whether you're talking about a satellite or some kind of vehicle in space, power is also a real issue. As we've been discussing, low power is really one of our huge advantages. With the Gemini-II and Plato, we'll take that to even an extreme case with 10 watts or less per device. Having a part that can withstand that radiation will certainly open up a market because there's certainly a need for it now. We've already had discussions with some of our SBIR partners. Mainly, this is why we got the extension on one of the SBIRs to do this testing because they certainly see a need for a device in space that does well under those harsh environments.

David Williams

Great. Appreciate all the color and best of luck to you on the quarter.

Didier Lasserre

Thanks for the questions, David.

Operator

There are no further questions at this time. I would like to turn the floor back over to Lee-Lean Shu for closing comments.

Lee-Lean Shu

Thank you again for joining us today and for your continued interest in GSI technology.

As a reminder, Didier and I will be attending Canaccord Genuity Growth Conference in Boston on August 12 and the Needham Virtual Semiconductor Conference on August 19. To book a meeting, please contact your Canaccord or Needham representative. Our presentation will also be broadcast live and available for replay on our website.

We appreciate your continued support and look forward to updating you on our progress this quarter. Thank you.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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