



**Fiscal 2021 Annual Report
and Proxy Statement**

July 19, 2021

To Our Stockholders:

Fiscal Year 2021 was a year of new opportunities in the face of a global pandemic that impacted all of us, including our employees and customers. Throughout the unforeseen events that occurred during the year, we remained focused on our key objectives of bringing Gemini-I to market and increase awareness of our groundbreaking Associative Processing Unit (“APU”) technology. There were also several positive developments in our legacy SRAM business.

The COVID-19 pandemic broadly impacted our SRAM business during fiscal 2021, but by the fourth quarter we announced improving sales and gross margin. Revenue from our largest customer, Nokia, has been slowly improving in the past two quarters, and we anticipate that business with Nokia will be stable this year. In May, we received our first purchase order for Radiation-Tolerant synchronous SRAMs. These chips will go into demonstration satellites anticipated to launch in late 2021 or early 2022. Ultimately, we hope this opportunity will expand to a satellite constellation. With the launch of the demonstration satellite, our SRAMs will have “heritage” in space, a catalyst for developing the market for these products.

A few victories to highlight for the APU and our software development capabilities include winning the MAFAT Challenge, led by our Lead AI Scientist, Daphna Idelson. This contest was a Radar Spectrogram Classification challenge hosted by the Israeli Ministry of Defense R&D directorate. We faced significant competitors from the top global AI companies, which made this victory even sweeter. Our software team has demonstrated its capability in numerous applications and finding innovative ways to improve the performance of Gemini-I and the Leda board.

I was also pleased with the announcement in April 2021 of our first NASA contract, a Phase 1 contract to develop a real-time Sorting Inference Processing Unit, also known as an IPU, for Earth Observation Missions. The board will feature a Radiation Tolerant Gemini APU, the predominant technology of the IPU for satellite applications. We chose to reference “inference” in the NASA proposal rather than search. This inference designation offers the broadest potential scope for a NASA project. This Phase 1 contract is the first step to getting the Gemini APU into space.

Increasingly, news on semiconductors highlights the “system bottleneck” that limits performance improvements and new solutions to address the problem. This structural bottleneck has become a critical problem facing Big Data as the data sets rapidly increase in size. However, we do not believe that any of these new solutions address the actual problem. We believe that the only way to truly eliminate the bottleneck is with our APU, that removes the bottleneck. The APU computes in a new model with multi-thread, massive parallel data processing, and search in place directly in the memory array. We have received over 50 patents on our APU hardware and software.

Though it has taken longer than we had anticipated, especially with the restrictions caused by the COVID-19 pandemic, we see increased momentum in customer engagements. In 2021, we began Gemini-I demonstrations with large data-centric companies, military and defense contractors, and smaller niche applications. Responses to Gemini-I have been positive. Several early engagements have advanced to sampling our boards and exploring our software in their specific applications, and using our data center in Sunnyvale, California.

Recently, a third-party validated that Gemini-I significantly accelerates search with the Elastic Stack from Elastic. Elastic’s goal is to enable every organization globally to utilize the power of search across their data to find relevant insights and act instantly. Using k-nearest neighbors algorithm (k-NN) search would be ideal for working with these types of massive databases. The limitations of GPU or CPU cores makes using the compute-intensive k-NN algorithm challenging. Elasticsearch, k-NN, and Gemini acceleration convergence provides less latency, more queries per second, and reduced power consumption. I find this convergence very exciting, and we are engaging with potential customers in the SaaS vector search space who recognize the advantages of APU technology.

As we return to the office, our Sunnyvale data center is being used by alpha and beta customers to run applications on Gemini-I and discover the scope of our software. It’s still early, but we can see that bringing people to our facility and allowing them to work with Gemini will accelerate the learning curve. Now, with the Gemini-I and the Leda board ready for mass production, we have begun our internal qualifications.

We are seeing growing interest, and the number of addressable applications is also growing. The ability for the Sunnyvale data center to provide remote access to the Gemini-I will increase the ability to reach potential customers.

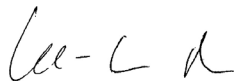
ESG and the growing awareness of sustainability are provoking debate in the media, boardrooms, and public markets. In ever-growing data centers, where AI and Big Data are rapidly increasing power consumption, there is a heightened focus on finding a better solution to reduce power consumption. It is estimated that data center energy usage will double by 2030. Electricity for computation resources will likely continue as the primary source of data center energy consumption.

We have repeatedly demonstrated dramatic reductions in power consumption with the Gemini APU for numerous search applications. The aerospace and defense workshop that we hosted in February 2021 compared Synthetic Aperture Radar, or SAR, image search over a similar area, size, resolution, and time. Looking at an operating power cost over five years, the Gemini APU used 93% less power on average, a significant reduction from the comparable CPU-based solution. Our Leda boards can be installed in a small portable server cabinet instead of a room of server cabinets. Such a small cabinet can be placed directly in an aircraft. Gemini not only delivers low power consumption but lowers the overall system cost, reduces the total cost of ownership, and provides new market use cases such as mobile use.

Another exciting example where Gemini shines is improving upon traditional facial recognition systems, which use a server with a CPU and GPU to search data and send facial vectors to the cloud. From the cloud, the search and the final rating occur in the CPU, which identifies the image. The Gemini APU greatly simplifies this process. Placing the Gemini APU with the CPU or GPU allows search to take place on the Gemini APU, eliminating the need to send data to the cloud and allowing matches to be found more rapidly. With the Gemini APU, fewer CPUs and GPUs are required while reducing latency and using significantly less power.

Our SRAM products continue to be essential for military, defense and telecommunications and networking customers. We have seen increased excitement and interest in Gemini-I's potential. As GSI Technology's CEO and largest shareholder, my interests are aligned with other shareholders. Our goal is to build a pipeline for Gemini-I and bring our next-generation Gemini to the market in 2023. I appreciate our shareholders' continued commitment and support as we execute on achieving our vision for GSI Technology.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lee-Lean Shu'.

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



July 19, 2021

Dear Stockholder:

You are cordially invited to attend the 2021 Annual Meeting of Stockholders of GSI Technology, Inc. to be held at 2:00 p.m. PDT, on Thursday, August 26, 2021. This year, the Annual Meeting will be held virtually via audio webcast. You will be able to attend and participate in the meeting by visiting meetings.computershare.com/MRA7A5L, where you will be able to listen to the meeting live, submit questions, and vote.

The Notice of Annual Meeting of Stockholders and a Proxy Statement, which describe the formal business to be conducted at the meeting, follow this letter. A copy of GSI Technology's Annual Report to Stockholders is also enclosed for your information.

After reading the Proxy Statement, please promptly mark, sign, date and return the enclosed proxy card in the accompanying prepaid envelope. Alternatively, you may vote your shares via the Internet or by telephone. Instructions regarding these methods of voting are provided on the proxy card.

Whether or not you plan to attend the annual meeting, we urge you to sign, date and return the enclosed proxy card or vote via the Internet or by telephone at your earliest convenience. We look forward to your online attendance at the annual meeting.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Lee-Lean Shu'.

Lee-Lean Shu

President, Chief Executive Officer and Chairman

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1213 Elko Drive
Sunnyvale, CA 94089

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held August 26, 2021**

TO THE STOCKHOLDERS:

Notice is hereby given that the annual meeting of the stockholders of GSI Technology, Inc., a Delaware corporation, will be held on Thursday, August 26, 2021, at 2:00 p.m. PDT, via audio webcast at meetings.computershare.com/MRA7A5L, for the following purposes:

1. To elect eight persons to serve on our Board of Directors until the next annual meeting of stockholders and until their respective successors are duly elected and qualified;
2. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2022;
3. To vote on an advisory (non-binding) resolution regarding the fiscal 2021 compensation of the executive officers named in the Summary Compensation Table included in the proxy statement for the annual meeting;
4. To approve the amendment and restatement of our 2016 Equity Incentive Plan; and
5. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

These business items are described more fully in the proxy statement accompanying this Notice.

Our Board of Directors unanimously recommends that you vote FOR all of the nominees proposed by our Board of Directors, and FOR Proposals No. 2, 3 and 4. Stockholders of record at the close of business on July 7, 2021 are entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof. For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices located at 1213 Elko Drive, Sunnyvale, California 94089. In addition, this list will be available online during the meeting.

This year, the Annual Meeting will be held virtually via audio webcast. You will be able to attend and participate in the meeting by visiting meetings.computershare.com/MRA7A5L, where you will be able to listen to the meeting live, submit questions, and vote. To access the audio webcast of the meeting, you must have the information that is printed on the shaded bar area located on the reverse side of the Notice. The password for this meeting is GSIT2021.

A handwritten signature in black ink, appearing to read 'Robert Yau', written over a white background.

Robert Yau
Secretary

Sunnyvale, California
July 19, 2021

IMPORTANT: Please vote your shares via the Internet or by telephone, in accordance with the instructions contained in the accompanying materials, or by dating and signing the proxy card and returning it in the accompanying postage-paid envelope to ensure that your shares are represented at the meeting. If you attend the audio webcast of the meeting, you may choose to vote your shares even if you have previously sent in your proxy card or submitted your proxy via the Internet.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON AUGUST 26, 2021: Our proxy statement is enclosed. Financial and other information concerning GSI Technology, Inc. is contained in our annual report to stockholders for the fiscal year ended March 31, 2021. A complete set of proxy materials relating to our annual meeting is available on the Internet. These materials, consisting of the notice of annual meeting, proxy statement, proxy card and annual report to stockholders, may be viewed and downloaded at: <http://ir.gsitechnology.com/proxy-materials>.

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GSI TECHNOLOGY, INC.
1213 Elko Drive
Sunnyvale, CA 94089

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held August 26, 2021

The accompanying proxy is solicited by the Board of Directors of GSI Technology, Inc., a Delaware corporation, for use at its annual meeting of stockholders to be held on Thursday, August 26, 2021, or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This proxy statement and the enclosed proxy are being mailed to stockholders on or about July 19, 2021. References in this proxy statement to the “Company,” “we,” “our,” “us” and “GSI Technology” are to GSI Technology, Inc., and references to the “annual meeting” are to the 2021 Annual Meeting of Stockholders. When we refer to the Company’s fiscal year, we mean the annual period ending on March 31. This proxy statement covers our fiscal year ended March 31, 2021 (“fiscal 2021”).

INFORMATION CONCERNING SOLICITATION AND VOTING

Why am I receiving these proxy materials?

We sent you this proxy statement and proxy card because your Board of Directors is soliciting your proxy to vote at the annual meeting. This proxy statement contains important information that is intended to assist you in making informed decisions regarding your vote.

How can I attend the Annual Meeting?

The Annual Meeting will be a completely virtual meeting of stockholders, which will be conducted exclusively by audio webcast. You are entitled to participate in the Annual Meeting only if you were a stockholder of the Company as of the close of business on the Record Date, or if you hold a valid proxy for the Annual Meeting. No physical meeting will be held.

You will be able to attend the Annual Meeting and submit your questions during the meeting by visiting meetings.computershare.com/MRA7A5L. You also will be able to vote your shares by attending the Annual Meeting by audio webcast.

To participate in the Annual Meeting, you will need to review the information included on your Notice, on your proxy card or on the instructions that accompanied your proxy materials. The password for the meeting is GSIT2021.

If you hold your shares through an intermediary, such as a bank or broker, you must register in advance using the instructions below.

The online meeting will begin promptly at 2:00 p.m. PDT. We encourage you to access the meeting prior to the start time in order to allow ample time to complete the check in process. Please follow the registration instructions as outlined in this proxy statement.

How do I register to attend the Annual Meeting?

If you are a registered shareholder (i.e., you hold your shares through our transfer agent, Computershare), you do not need to register to attend the Annual Meeting. Please follow the instructions on the notice or proxy card that you received.

If you hold your shares through an intermediary, such as a bank or broker, you must register in advance to attend the Annual Meeting.

To register to attend the Annual Meeting, you must submit proof of your proxy power (legal proxy) reflecting your GSI Technology, Inc. holdings along with your name and email address to Computershare

via email or U.S. mail. Requests for registration must be labeled as “Legal Proxy” and be received no later than 5:00 p.m. EDT, on August 23, 2021.

You will receive a confirmation of your registration by email after we receive your registration materials. Requests for registration should be directed to Computershare using the following contact information:

By email:

Forward the email from your broker, or attach an image of your legal proxy, to legalproxy@computershare.com

By mail:

Computershare
GSI Technology, Inc. Legal Proxy
P.O. Box 43001
Providence, RI 02940-3001

What items of business will be voted on at the Annual Meeting?

Stockholders will vote on four proposals at the annual meeting:

- to elect eight persons to serve on our Board of Directors until the 2021 annual meeting (Proposal No. 1);
- to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2022 (Proposal No. 2); and
- to vote on an advisory (non-binding) resolution to approve the fiscal 2021 compensation of our named executive officers (as defined in this proxy statement) (Proposal No. 3).
- to approve the amendment and restatement of our 2016 Equity Incentive Plan (Proposal 4).

We will also consider any other business that properly comes before the annual meeting.

What is a proxy?

A proxy is your designation of another person or persons to vote your shares on your behalf. By properly signing and returning the enclosed proxy card, or by voting via the Internet or by telephone, you give the persons designated as proxies by our Board of Directors the authority to vote your shares in the manner that you specify.

How does the Board recommend that I vote my shares?

Our Board of Directors unanimously recommends that you vote your shares:

- **FOR** all of the Board’s nominees for director, as listed and described under Proposal No. 1;
- **FOR** ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2022;
- **FOR** approval of the advisory (non-binding) resolution approving the fiscal 2021 compensation of our named Executive Officers; and
- **FOR** approval of the amendment and restatement of our 2016 Equity Incentive Plan.

Who is entitled to vote at the Annual Meeting?

Only stockholders of record at the close of business on July 7, 2021 (the “Record Date”) are entitled to vote at the annual meeting. As of the Record Date, 24,166,062 shares of our common stock were outstanding.

How many shares must be present to hold the Annual Meeting?

The presence of the holders of a majority of all shares outstanding and entitled to vote, whether attending the audio webcast or represented by proxy, will constitute a quorum for the transaction of business at the annual meeting. If a quorum is not present, the annual meeting will be adjourned until a quorum is obtained.

How many votes do I have?

Each stockholder is entitled to cast one vote for each share of our common stock held on the Record Date.

If I am a stockholder of record, how do I vote?

If your shares are registered directly in your name with our transfer agent, you are considered to be the stockholder of record with respect to those shares, and these proxy materials have been sent directly to you. If you are a stockholder of record, there are four ways to vote your shares:

- by completing, signing and dating your proxy card and returning it in the envelope provided;
- via the Internet by following the instructions on the proxy card you received;
- by telephone by following the instructions on the proxy card; or
- by attending the audio webcast of the annual meeting and voting at the directed time.

If I am a beneficial owner of shares, how do I vote?

If your shares are held for you in an account with a broker, bank or similar organization, you are considered the “beneficial owner” of those shares, which are generally referred to as being held in “street name,” and you should have received these proxy materials from that organization. If you are a beneficial owner of shares held in street name, there are several ways to vote your shares:

- by completing, signing and dating the voting instruction form provided by the organization that holds your shares and returning the form to that organization, which will vote your shares in accordance with your instructions;
- if your broker, bank or other nominee permits you to provide voting instructions via the Internet or by telephone, you may vote that way as well; or
- by attending the audio webcast of the annual meeting and voting at the directed time. However, in order to vote at the meeting, you must obtain a legal proxy from the organization that holds your shares. Follow the instructions from the broker, bank or other organization holding your shares to obtain such a proxy.

In order that your shares are properly voted, we encourage you to provide specific voting instructions with respect to each proposal to any organization that holds your shares in street name by carefully following the organization’s voting instructions.

What happens if I do not provide specific voting instructions?

If you are a stockholder of record and you return a signed and dated proxy card without providing specific voting instructions, the persons named as proxy holders will vote your shares in the manner recommended by the Board of Directors on all of the proposals described in this proxy statement. If any other matter is properly presented at the meeting, the proxy holders will vote your shares as they may determine in their discretion.

If you are the beneficial owner of shares held in street name and do not provide specific voting instructions to the organization that holds your shares, the organization may generally vote your shares at their discretion on “routine matters” but cannot vote on “non-routine” matters. “Non-routine” matters would include the election of directors (Proposal No. 1) and the advisory (non-binding) vote on executive compensation (Proposal No. 3) and the amendment and restatement of the 2016 Equity Incentive Plan

(Proposal No. 4), while “routine” matters would include the ratification of the appointment of our independent registered public accounting firm (Proposal No. 2).

How many votes are needed to elect directors?

Members of the GSI Technology Board of Directors are elected by plurality vote. Accordingly, the eight persons duly nominated at the annual meeting who receive the highest number of **FOR** votes will be elected as directors.

How many votes are needed to approve proposals Nos. 2, 3 and 4?

The appointment of BDO USA, LLP as our independent registered public accounting firm (Proposal No. 2), approval of the advisory (non-binding) vote regarding fiscal 2021 executive officer compensation (Proposal No. 3) and approval of the amendment and restatement of the 2016 Equity Incentive Plan (Proposal No. 4) each require the affirmative vote of a majority of the shares represented and voting at the annual meeting.

How are broker non-votes and abstentions treated?

A “broker non-vote” occurs when a broker, bank or other nominee holds shares in street name for the beneficial owner but, with respect to a particular proposal, does not have discretionary authority to vote the shares (i.e., it is a “non-routine” matter) and has not received timely voting instructions from the beneficial owner.

Broker non-votes and abstentions are counted as present for purposes of determining whether a quorum is present at the meeting.

Votes withheld and broker non-votes will have no effect on the election of directors (Proposal No. 1). Proposals No. 2, 3 and 4 each requires the affirmative vote of a majority of shares represented and voting at the annual meeting. Abstentions and broker non-votes will reduce the number of shares voting as well as the number of shares in favor of the proposal and, therefore, will have no impact on the results of voting.

Can I revoke my proxy or change my vote?

Yes. You may revoke your proxy and change your vote at any time before the polls close at the annual meeting.

If you are a stockholder of record, you may revoke your proxy and change your vote in any of the following ways:

- by signing and returning a proxy card with a later date that is received before the polls close at the annual meeting;
- by voting again via the Internet or by telephone before the polls close at the annual meeting;
- by voting during the audio webcast of the annual meeting; or
- by giving written notice of revocation to the Company’s Corporate Secretary.

Please note that attendance at the audio webcast of the annual meeting, in and of itself, will not revoke your proxy.

If you are the beneficial owner of shares held in street name, you may revoke your proxy and change your vote in any of the following ways:

- by signing and returning an instruction form with a later date;
- by voting again via the Internet or by telephone (if such voting is allowed by your broker, bank or other nominee) before the polls close at the annual meeting; or
- by voting during the audio webcast of the annual meeting (although, as noted above, in order to vote at the annual meeting, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares).

How will the votes be counted?

Votes taken at the annual meeting will be counted by an independent inspector of election appointed by the Company.

How can I find out the results of the voting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be tabulated by the inspector of election. We will publish voting results known to us in a Form 8-K report to be filed with the Securities and Exchange Commission within four business days after the annual meeting. If final results are not available to use at the time of such filing, we will file an amendment to the Form 8-K report to publish the final results within four business days after they are known to us.

Who will solicit proxies on behalf of the Board of Directors?

Proxies may be solicited by directors and officers of the Company, without additional compensation. Solicitation of proxies by mail may be supplemented by telephone, facsimile, e-mail or personal solicitation. None of the participants will receive additional compensation for assisting with the solicitation.

You may also be solicited by press releases issued by us and postings on our corporate website. Unless expressly indicated otherwise, information contained on our corporate website is not part of this proxy statement.

Who will bear the cost of the solicitation of proxies?

We will pay for the entire cost of soliciting proxies on behalf of GSI Technology. We will also reimburse brokerage firms, banks and other agents, upon their request, for the costs of forwarding our proxy materials to beneficial owners of stock held in their name.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

We have a Board of Directors consisting of eight directors who will serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified.

The Board of Directors' nominees for election at the annual meeting are Jack A. Bradley, Elizabeth Cholawsky, Haydn Hsieh, Kim Le, Ruey L. Lu, Barbara Nelson, Lee-Lean Shu and Robert Yau. Except for Barbara Nelson, all nominees currently serve on the Board of Directors. Ms. Nelson was recommended for nomination by our Nominating and Governance Committee to serve as our new independent director and will fill the vacancy resulting from the decision by Arthur O. Whipple to not stand for re-election. The biography of Ms. Nelson is below. If elected, the eight nominees will serve as directors until our annual meeting of stockholders in 2022 and until their successors are duly elected and qualified. If any of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as we may designate.

These eight nominees represent a balance of directors with a history of service on the Board and newer directors with a strong mix of relevant experience. Our Nominating and Governance Committee and Board of Directors have evaluated each of our nominees against the factors and principles we use to select nominees for director, which are described elsewhere in this proxy statement. Based on this evaluation, our Nominating and Governance Committee and Board of Directors concluded that it is in the best interests of GSI Technology and its stockholders for each of the eight nominees named above to serve as a member of the Board of Directors.

If a quorum is present and voting, the eight nominees for director receiving the greatest number of votes will be elected. A **WITHHOLD** vote will have no effect on the vote. Our Board of Directors has no reason to believe that any nominee named herein will be unable or unwilling to serve.

The Board of Directors unanimously recommends a vote FOR the nominees named above.

The following table sets forth information regarding our current directors, each of whom is a nominee for election at the annual meeting, as of June 30, 2021:

Nominee's Name	Principal Occupation	Age	Director Since
Jack A. Bradley	Partner, David Powell Financial Services	72	2015
Elizabeth Cholawsky	Chief Executive Officer of HG Insights Inc.	65	2019
Haydn Hsieh	Chairman and Chief Strategy Officer of Wistron NeWeb Corp.	66	2008
Kim Le	Founder and CEO of A2Q2 Corporation and SASI Robotics	48	2020
Ruey L. Lu	President of eMPIA Technology	65	2000
Barbara Nelson	Former Vice President, Western Digital Corporation; Board member and Chairs of the Compensation and Nominating and Governance Committees of Backblaze, Inc.	66	—
Lee-Lean Shu	President, Chief Executive Officer and Chairman of the Board of Directors of GSI Technology	66	1995
Robert Yau	Vice President, Engineering and Secretary of GSI Technology	68	1995

Business Experience of Director Nominees

Set forth below is a description of the business experience of each director nominee, including a discussion of the specific experience, qualifications, attributes and skills that led our Nominating and Governance Committee and our Board of Directors to conclude that those individuals should serve as directors.

Jack A. Bradley has served as a member of our Board of Directors since March 2015. Mr. Bradley has been a partner in David Powell Financial Services, an advisor to early stage companies, since September 2014. From February 2006 through March 2013, Mr. Bradley served as Chief Executive Officer of Packet Design, Inc. (“PDI”), a venture capital-funded company that developed and marketed analytic management systems for data communications. From March 2001 to February 2006, Mr. Bradley served as Chief Financial Officer of Packet Design, LLC, a developer of networking infrastructure software that spun off several networking companies, including PDI. Prior to joining Packet Design, LLC, Mr. Bradley held senior operational and financial management positions with several networking and communications companies, including Cisco Systems, Inc. (General Manager of Video Internet Services Business Unit), Network Computing Devices, Inc. (Chief Financial Officer and Interim Chief Executive Officer), 3Com Corporation (Vice President and General Manager, International Division), and Bridge Communications, Inc. (Chief Financial Officer). Mr. Bradley holds a B.S. degree in Accounting from the University of San Francisco. Mr. Bradley brings over 30 years’ experience in executive management positions with public and private companies engaged in the software, systems and semiconductor industries. In particular, his extensive experience in the networking and communications industries, including his operational experience with providing integrated hardware and software solutions to customers, enables him to provide advice and guidance as we develop our new in-place associative computing products.

Elizabeth Cholawsky has served as a member of our Board of Directors since September 2019. Since April 2018, Dr. Cholawsky has served as the Chief Executive Officer and a member of the Board of Directors of HG Insights Inc., a technology intelligence big data company that provides sales and marketing insights for B2B companies in the Fortune 500. From November 2016 to March 2018, Dr. Cholawsky was a partner at Cholawsky Gruenfeld Advisory, providing SaaS strategy consulting services to high growth companies. Dr. Cholawsky served as President, CEO and Board member of Support.com, Inc. (NASDAQ: SPRT) from May 2014 to October 2016, where she formulated and led a transformation strategy, developing and bringing to market a new category of products. Dr. Cholawsky has a Ph.D. in Political Science with a concentration in Econometrics from the University of Minnesota and a B.A. (cum laude and Phi Beta Kappa) from Franklin & Marshall College. Dr. Cholawsky’s extensive experience in product innovation, marketing strategies and customer development, along with her expertise in data software solutions, enables her to provide advice and guidance with the marketing and sale of our new in-place associative computing products.

Haydn Hsieh has served as a member of our Board of Directors since August 2008. Mr. Hsieh has served as the Chief Strategy Officer of Wistron NeWeb Corp., a manufacturer of wireless communications products, since December 2017, its Chief Executive Officer from June 2000 through December 2017, its Vice Chairman from June 2000 through June 2014, and its Chairman since June 2014. From February 1981 through June 2000, Mr. Hsieh served in various management capacities at several divisions of Acer Group, a manufacturer of personal computers and related products, including President of the Mobile Computing Business Unit and Senior Vice President of Acer Inc. Mr. Hsieh holds a B.S. degree in Electrical Engineering from Tatung Institute of Technology and participated in the Executive Program at the Graduate School of Business Administration of National Chengchi University in Taiwan. Mr. Hsieh’s broad management background provides relevant experience in a number of strategic and operational areas, including his management experience with the application and manufacturing of systems and modules, enables him to provide advice and guidance as we develop our new in-place associative computing products. Moreover, his management experience with, and service as an outside board member to, companies headquartered in Taiwan provides him with relevant insight into that country, where GSI Technology has significant operations, as well as a valuable perspective on global business operations.

Kim Le has served as a member of our Board of Directors since October 2020. Ms. Le has served as the Chief Executive Officer of A2Q2 Corporation, a global Special Ops firm that assists public and pre-IPO technology companies with IPO readiness, Sarbanes-Oxley readiness, process automation and system implementations, since founding the company in 2003. Ms. Le spent eight years in public accounting with Arthur Andersen leading financial statement audits, IPOs, revenue recognition and M&A due diligence. Ms. Le has a Bachelor of Science degree in Accountancy from Arizona State University and is certified as a CPA in California and Arizona. Ms. Le is a financial expert with over 25 years of experience in public accounting, internal audit and building businesses. Her industry experience includes software, hardware, SaaS, telecommunications, biotech, marketplace, fintech and manufacturing-distribution. Ms. Le’s experience

in public accounting as an auditor, advising companies on Sarbanes-Oxley compliance matters, helping companies with M&A integration, system implementations and in other finance functions has provided her with broad experience in finance, financial systems including accounting, financial reporting and compliance with U.S. federal securities laws. Ms. Le is well versed and updated on corporate governance matters, and organizes and participates in continuing board education for corporate directors who serve on publicly traded companies through Directors League, a peer-to-peer community founded by Ms. Le. She also brings strong leadership skills as a founder and chief executive of her own business, and has knowledge of operations and financial reporting, gained through her years of experience in advising technology companies.

Ruey L. Lu has served as a member of our Board of Directors since October 2000. Mr. Lu is the President of eMPIA Technology Corp., a semiconductor solutions company, which he founded in January 2002. From March 1993 to December 2000, Mr. Lu served as President of ARK Logic, a storage device and software applications company, which he founded. From October 1989 to February 1993, Mr. Lu served as Director of Engineering in the Imaging Product Division of Western Digital Corporation, an information storage company. Mr. Lu holds a B.S. degree in Electrical Engineering from Taipei Institute of Technology and an M.S. degree in Electrical Engineering from the University of Missouri. Mr. Lu's experience as President of eMPIA Technology and in executive roles at ARK Logic and Western Digital has provided him with broad industry and executive experience, including the co-design of hardware and software platforms like our new in-place associative computing products. Moreover, his management experience with a company headquartered in Taiwan provides him with relevant insight into that country, where GSI Technology has significant operations, as well as a valuable perspective on global business operations.

Barbara Nelson is a new director nominee standing for election for the first time. Ms. Nelson is currently serving as a board member, Chair of the Nominating and Governance Committee and Chair of the Compensation Committee of Backblaze, Inc., a cloud data management, storage and backup SaaS company. From May 2017 to April 2020, she served as Vice President, and from November 2016 to May 2017 she served as senior consultant to the President and Chief Operating Officer, at Western Digital Corporation, (Nasdaq: WDC) a data technology products, systems and cloud storage services company. From May 2013 to March 2016, she served as Executive Vice President and General Manager of the IronKey, the mobile security and SaaS division of Imation Corp (NYSE: IMN) a data storage and information security products and solutions company. From July 2008 to March 2010, Ms. Nelson served as Chief Executive Officer of Element Labs Inc., a video and LED-lightning company and from October 2003 to December 2007, Ms. Nelson served as Chief Executive Officer and Chairman of NeoScale Systems Inc., an enterprise storage security and key management company. Ms. Nelson holds a B.S. degree in Electrical Engineering from Stanford University. Ms. Nelson's extensive experience in the semiconductor and storage industries, with over fifteen years of P&L leadership, in matters of go-to-market, product development and finance, and her expertise in cloud services and SaaS businesses makes her highly qualified to serve as a director and provide input and guidance to the GSI Technology Board and management team.

Lee-Lean Shu co-founded our company in March 1995 and has served as our President and Chief Executive Officer and as a member of our Board of Directors since our inception. In October 2000, Mr. Shu became Chairman of our Board. From January 1995 to March 1995, Mr. Shu was Director, SRAM Design at Sony Microelectronics Corporation, a semiconductor company and a subsidiary of Sony Corporation, and from July 1990 to January 1995, he was a design manager at Sony Microelectronics Corporation. Mr. Shu holds a B.S. degree in Electrical Engineering from Tatung Institute of Technology and an M.S. degree in Electrical Engineering from the University of California, Los Angeles. It is our policy that our Chief Executive Officer should serve on our Board. In addition, Mr. Shu's role as a co-founder of our company and his day-to-day involvement in the management of our business has provided him with extensive knowledge and understanding of GSI Technology and its industry. As Chief Executive Officer, he is in a unique position to provide our Board with insight and information related to our business and operations and to participate in the ongoing review of strategic issues.

Robert Yau co-founded our company in March 1995 and has served as our Vice President, Engineering and as a member of our Board of Directors since our inception. From December 1993 to February 1995, Mr. Yau was design manager for specialty memory devices at Sony Microelectronics Corporation. From 1990 to 1993, Mr. Yau was design manager at MOSEL/VITELIC, a semiconductor company. Mr. Yau holds a

B.S. degree in Electrical Engineering from the University of Texas at Arlington and an M.S. degree in Electrical Engineering from the University of California, Berkeley. As a co-founder, our Vice President, Engineering, and an expert in SRAM technology, Mr. Yau is able to provide the Board with an understanding of our technology and our product development strategy as well as expert perspective on industry trends and opportunities.

CORPORATE GOVERNANCE

Director Independence

The Board of Directors has determined that, other than Lee-Lean Shu and Robert Yau, each of the members of the Board is an “independent director” for purposes of the Nasdaq Listing Rules and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended, as the term relates to membership on the Board and the various Board committees. There are no family relationships between any of our directors or executive officers.

Board of Directors Leadership Structure

Lee-Lean Shu serves as both our Chief Executive Officer and the Chairman of our Board of Directors. The Board believes that combining the role of Chairman and Chief Executive Officer is appropriate in the case of Mr. Shu, given his role in founding GSI Technology and his significant ownership stake and also because Mr. Shu is the Board member who is most familiar with our business strategy and most knowledgeable regarding our industry. The Board also believes that the combined role of Chairman and Chief Executive Officer facilitates the flow of information between the Board and management, improves the Board’s ability to focus on key policy and operational issues and helps the Board operate in the long-term interests of our stockholders.

The Board has determined that, at any time the office of Chairman is filled by our Chief Executive Officer or another employee of GSI Technology, a non-employee director, recommended by the Nominating and Governance Committee, shall be designated to serve as lead director. Arthur O. Whipple currently serves in that position. The lead director serves as the principal liaison between the independent directors and the Chairman. In that capacity, the lead director presides over executive sessions of the independent directors, chairs Board meetings in the Chairman’s absence, and collaborates with the Chairman on agendas, schedules and materials for Board meetings. The Board believes that this leadership structure provides the appropriate balance of management and non-management oversight. The Nominating and Corporate Governance Committee periodically evaluates our leadership structure to ensure that we maintain a structure that is beneficial to us and our stockholders, and will recommend any appropriate changes to the Board.

The Board of Directors’ Role in Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including general economic risks, risks presented by global pandemics such as COVID-19, operational risks, financial risks, competitive risks and reputational risks. Management is responsible for the day-to-day management of the risks that we face, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. In addition, the Board is responsible for matters relating to management and Board succession planning.

While the full Board of Directors is charged with ultimate oversight responsibility for risk management, committees of the Board also have responsibilities with respect to various aspects of risk management oversight. In particular, the Audit Committee plays a significant role in monitoring and assessing our financial and operational risks, including cyber security. The Audit Committee is also responsible for establishing and administering our code of conduct and reviewing transactions between the Company and any related parties. The Compensation Committee monitors and assesses risks associated with our compensation policies and consults with management and the Board concerning the development of incentives that encourage a level of risk-taking consistent with our overall strategy, as further discussed under the heading “Compensation Discussion and Analysis.” The Nominating and Governance Committee has oversight responsibility for corporate governance risks, including risks associated with director independence. Our executive management meets regularly to discuss our strategy and the risks that we face. Senior officers regularly attend Board meetings where they are available to address questions or concerns raised by the Board regarding risk management related matters.

Executive Sessions

Non-management directors generally meet in executive session without the presence of management, including our Chief Executive Officer and our Vice President, Engineering, at each regularly scheduled meeting of the Board. The non-management director serving as lead director, acts as the presiding director for these executive sessions.

Committees and Meeting Attendance

The Board of Directors has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. The Board of Directors held seven meetings during the fiscal year ended March 31, 2021. During fiscal 2021, no director attended fewer than 96% of the total number of meetings of the Board and all of the committees of the Board on which such director served that were held during that period.

Our Nominating and Governance Committee, as part of its governance review, evaluates the composition of each of our Board committees to ensure that we maintain a structure that is beneficial to us and our stockholders, and recommends any appropriate changes to our Board of Directors.

The following table sets forth the current members of each of our Board's standing committees as of the date of this proxy statement:

Committee Member	Audit	Compensation	Nominating and Governance
Jack A. Bradley	X	X	Chair
Elizabeth Cholawsky	X	Chair	X
Haydn Hsieh	X	X	
Kim Le	X		X
Ruey L. Lu		X	X
Arthur O. Whipple ⁽¹⁾	Chair		X

(1) Mr. Whipple will not be standing for re-election at the annual meeting.

Audit Committee

The members of the Audit Committee during fiscal 2021 were Messrs. Bradley, Hsieh, Whipple (Chair), Dr. Cholawsky and Ms. Le upon her appointment to the board in October 2020. The Audit Committee held eleven meetings during fiscal 2020. Each of the members of the Audit Committee is independent for purposes of the Nasdaq Listing Rules as they apply to audit committee members. Messrs. Whipple, Bradley and Ms. Le have been designated as "audit committee financial experts," as the term is defined in applicable SEC rules. The Audit Committee operates under a charter that is available on our website at www.gsitechnology.com. The functions of the Audit Committee include oversight, review and evaluation of our financial statements, accounting and financial reporting processes and public filings, disclosure control and internal control functions, compliance with policies and procedures, cyber and data security and information technology risk exposures and the audits of our financial statements. The Audit Committee is responsible for the engagement, compensation, retention and oversight of our independent registered public accounting firm. Additional information regarding the Audit Committee is set forth in the Report of the Audit Committee immediately following Proposal No. 2.

Compensation Committee

The members of the Compensation Committee during fiscal 2021 were Dr. Cholawsky (Chair) and Messrs. Bradley, Hsieh and Lu. Upon the recommendation of the Nominating and Governance Committee, the Board of Directors appointed Mr. Bradley to the Compensation Committee in June 2020. The Compensation Committee held eight meetings during fiscal 2021. Each of the members of the Compensation Committee is independent for purposes of the Nasdaq Listing Rules. The Compensation Committee operates under a charter that is available on our website at www.gsitechnology.com. The purpose of the

Compensation Committee is to assist the Board of Directors in carrying out its responsibilities with respect to: (i) overseeing our compensation policies and practices; and (ii) reviewing and approving compensation and compensation procedures for our executive officers. The Compensation Committee's responsibilities include: periodically reviewing and advising the Board of Directors concerning overall compensation philosophy, policies and plans, including reviewing both regional and industry compensation practices and trends; identifying any peer group of companies to be used for comparison purposes; reviewing and approving all performance goals and objectives relevant to the compensation of all executive officers and assessing the achievement of such goals and objectives; determining and approving all compensation for our executive officers (including salary and incentive-based compensation and awards); making recommendations to the Board of Directors regarding the establishment and terms of incentive compensation plans, and administering such plans; and approving grants of options and other equity awards to all executive officers and other eligible individuals under our equity compensation plans. Other responsibilities of the Compensation Committee include: reviewing and approving compensation-related matters outside the ordinary course of business, including but not limited to employment contracts, change-in-control provisions, severance arrangements, and material amendments thereto; preparing an annual report on executive compensation, including a Compensation Discussion and Analysis, for inclusion in the proxy statement for our annual meeting of stockholders; monitoring and assessing risks associated with our compensation policies and consulting with management regarding such risks; and reporting to the Board of Directors on the Compensation Committee's activities on a regular basis. Regarding most compensation matters, including executive compensation, our management provides recommendations to the Compensation Committee. Additional information regarding the Compensation Committee and its activities is set forth under the heading "Executive Compensation" in this proxy statement.

Nominating and Governance Committee

The members of the Nominating and Governance Committee during fiscal 2021 were Messrs. Bradley (Chair), Lu, Whipple and Dr. Cholawsky and Ms. Le upon her appointment to the board in October 2020. Upon the recommendation of the Nominating and Governance Committee, the Board of Directors appointed Dr. Cholawsky to the Nominating and Governance Committee in June 2020. The Nominating and Governance Committee held eight meetings during fiscal 2021. Each of the members of the Nominating and Governance Committee is independent for purposes of the Nasdaq Listing Rules. The Nominating and Governance Committee operates under a charter that is available on our website at www.gsitechnology.com. The Nominating and Governance Committee identifies prospective Board candidates, recommends nominees for election to our Board of Directors, develops and recommends Board member selection criteria, considers committee member qualification, reviews and makes recommendations to the Board of Directors regarding Board and committee compensation based in part upon input from an independent national compensation consulting firm engaged for that purpose, recommends corporate governance principles to the Board of Directors, reviews and proposes responses to shareholder proposals, and provides oversight in the evaluation of the Board of Directors and each committee.

Director Nominations

The Nominating and Governance Committee is responsible for, among other things, the selection and recommendation to the Board of Directors of nominees for election as directors. When considering the nomination of directors for election at an annual meeting, the Nominating and Governance Committee reviews the needs of the Board of Directors for various skills, background and experience. When reviewing potential nominees, including incumbents, the Nominating and Governance Committee considers the current and future needs of GSI Technology to ensure that the Board of Directors has the appropriate balance of knowledge, experience, skills, expertise, judgment, perspectives and backgrounds. The Nominating and Governance Committee also seeks appropriate input from the Chief Executive Officer and other executive officers in assessing the needs of the Board of Directors for relevant knowledge, experience, skills, expertise, judgment, perspective and background of its members.

The Nominating and Governance Committee's goal is to assemble a Board of Directors that brings to GSI Technology a diversity of experience at policy-making levels in business and technology, and in areas that are relevant to GSI Technology's global activities. Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of our

stockholders. They must have an inquisitive and objective outlook and mature judgment. They must also have experience in positions with a high degree of responsibility and be leaders in the companies or institutions with which they are, or have been, affiliated. Director candidates must have sufficient time available, in the judgment of the Nominating and Governance Committee, to perform all Board and committee responsibilities that will be expected of them. Members of the Board of Directors are expected to rigorously prepare for, attend and participate in all meetings of the Board of Directors and applicable committees. While we do not have a specific policy regarding diversity, when considering the nomination of directors, the Nominating and Governance Committee does consider the diversity of its directors and nominees in terms of knowledge, experience, skills, expertise, judgment, perspective, background and other demographic factors. Other than the foregoing, there are no specific minimum criteria for director nominees, although the Nominating and Governance Committee believes that it is preferable that a majority of the Board of Directors meet the definition of “independent director” set forth in Nasdaq and SEC rules. The Nominating and Governance Committee also believes it appropriate for one or more key members of the Company’s management, including the Chief Executive Officer, to serve on the Board of Directors.

The Nominating and Governance Committee will consider candidates for director proposed by directors or management, and will evaluate any such candidates against the criteria and pursuant to the policies and procedures set forth above. If the Nominating and Governance Committee believes that the Board of Directors requires additional candidates for nomination, the Nominating and Governance Committee may engage, as appropriate, a third party search firm to assist in identifying qualified candidates. The nominating process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating and Governance Committee.

The Nominating and Governance Committee will also consider candidates for director recommended by a stockholder, provided that any such recommendation is sent in writing to the Board of Directors, c/o Corporate Secretary at the address noted below, at least 120 days prior to the anniversary of the date definitive proxy materials were mailed to stockholders in connection with the prior year’s annual meeting of stockholders and contains the following information:

- the candidate’s name, age, contact information and present principal occupation or employment; and
- a description of the candidate’s qualifications, skills, background and business experience during at least the last five years, including his or her principal occupation and employment and the name and principal business of any company or other organization where the candidate has been employed or has served as a director.

The Nominating and Governance Committee will evaluate any candidates recommended by stockholders against the same criteria and pursuant to the same policies and procedures applicable to the evaluation of candidates proposed by directors or management.

In addition, stockholders may make direct nominations of directors for election at an annual meeting, provided the advance notice requirements set forth in our bylaws have been met. Under our bylaws, written notice of such nomination, including certain information and representations specified in the bylaws, must be delivered to our principal executive offices, addressed to the Corporate Secretary, at least 120 days prior to the anniversary of the date definitive proxy materials were mailed to stockholders in connection with the prior year’s annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been advanced by more than 30 days from the date contemplated at the time of the previous year’s proxy statement, such notice must be received not later than the close of business on the 10th day following the day on which the public announcement of the date of such meeting is first made.

Communications with Directors

Stockholders may send any communications to the Board of Directors or any individual director at the following address. All communications received are reported to the Board or the individual directors:

Board of Directors (or name of individual director(s))
c/o Secretary
GSI TECHNOLOGY, INC.
1213 Elko Drive
Sunnyvale, California, 94089

Our Secretary will forward all such communications to the Board of Directors, or the individual director or directors, except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations, advertisements, or patently offensive or otherwise inappropriate material. Our Secretary may forward certain correspondence, such as product-related inquiries, elsewhere within GSI Technology for review and possible response.

Evaluation of the Board of Directors and Committees

Approximately once a year, the members of the Board of Directors and each Board committee hold a special meeting to conduct a confidential oral assessment of their performance and effectiveness. This process is coordinated by the lead director and the chair of the Nominating and Governance Committee. As part of the evaluation process, the Board and each Committee reviews its overall composition, including director tenure, board leadership structure, diversity and individual skill sets, to ensure it serves the best interests of stockholders and positions the Company for future success. After the evaluations, the Board and management work to improve upon any issues or focus points disclosed during the evaluation process.

Director Attendance at Annual Meetings

We attempt to schedule our annual meeting of stockholders at a time and date to accommodate attendance by directors, taking into account the directors' schedules. Directors are encouraged to attend our annual meeting of stockholders, but the Board has not adopted a formal policy with respect to such attendance. All seven of the directors then serving on the Board attended last year's annual meeting of stockholders.

Code of Business Conduct and Ethics; Corporate Governance Guidelines

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. The Board of Directors, upon the recommendation of the Nominating and Governance Committee, has also adopted a series of Corporate Governance Guidelines. The Code of Business Conduct and Ethics and Corporate Governance Guidelines are available on our website at www.gsistechnology.com. If we make any substantive amendments to the Code of Business Conduct and Ethics, or grant any waiver from a provision of the Code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website, as well as via any other means then required by Nasdaq Listing Rules or applicable law.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee are or have been an officer or employee of GSI Technology. During fiscal 2021, no member of the Compensation Committee had any relationship with GSI Technology requiring disclosure under Item 404 of Regulation S-K. During fiscal 2021, none of GSI Technology's executive officers served on the compensation committee (or its equivalent) or board of directors of another entity any of whose executive officers served on GSI Technology's Compensation Committee or Board of Directors.

Transactions with Related Persons

GSI Technology incurred non-recurring engineering service expense and manufacturing services of approximately \$482,000 during the fiscal year ended March 31, 2021 from Wistron Neweb Corp ("WNC")

in connection with the design, development and manufacture of single-APU PCIe boards and LEDA-G production boards, to be used in the Company's in-place associative computing product. Mr. Hsieh, a member of the Board of Directors, is the Chairman and Chief Strategy Officer of WNC.

For information regarding GSI Technology's procedures for approval of transactions with related persons, please see "Related Person Transactions".

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors of GSI Technology has selected BDO USA, LLP as its independent registered public accounting firm to audit the consolidated financial statements of GSI Technology for the fiscal year ending March 31, 2022. BDO USA, LLP has acted in such capacity since its appointment in September 2017. A representative of BDO USA, LLP is expected to be present at the 2021 Annual Meeting, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions. At the 2021 Annual Meeting, the shareholders are being asked to ratify the selection of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2022.

The following table sets forth the aggregate fees billed to GSI Technology for the fiscal year ended March 31, 2022 and March 31, 2020 by BDO USA, LLP:

	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>
Audit fees ⁽¹⁾	\$612,440	\$587,400
Tax fees ⁽²⁾	27,814	26,111
Total fees	<u>\$640,254</u>	<u>\$613,511</u>

- (1) Audit fees consist of fees for professional services rendered for the integrated audit of GSI Technology's annual consolidated financial statements and internal control framework, the review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings.
- (2) Tax fees consist of fees for consultation on various tax matters and compliance with federal and state income tax filing requirements.

The Audit Committee has determined that all services performed by BDO USA, LLP are compatible with maintaining the independence of BDO USA, LLP. The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval.

Vote Required and Board of Directors Recommendation

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or by proxy and voting on the matter. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum but will not have any effect on the outcome of the vote.

The Board of Directors unanimously recommends a vote "FOR" the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2022.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees GSI Technology's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the design and maintenance of our internal control systems. Our independent registered public accounting firm, BDO USA, LLP, is responsible for expressing an opinion as to the conformity of our audited financial statements with generally accepted accounting principles and the effectiveness of our internal control over financial reporting. BDO USA, LLP has served as our independent registered public accounting firm since its appointment in September 2017.

The Audit Committee currently consists of five directors, three of which have been designated as "audit committee financial experts." Each member of the Committee, in the judgment of the Board of Directors, is an "independent director" as defined in the Nasdaq Listing Rules. The Audit Committee acts pursuant to a written charter that has been adopted by the Board of Directors. The charter provides, among other things, that the Audit Committee is to review the qualifications, independence and performance, and approve the terms of engagement, including the fees payable, for our independent auditor, oversee our system of disclosure controls and procedures and internal controls over financial reporting, oversee our compliance with ethical standards and oversee the preparation of any reports required of the Audit Committee under rules of the Securities and Exchange Commission. A copy of this charter is available on our website at www.gsitechnology.com.

The Audit Committee has reviewed and discussed with management GSI Technology's audited financial statements and the results of management's assessment of the effectiveness of GSI Technology's internal control over financial reporting as of March 31, 2021. The Audit Committee has discussed and reviewed with our independent registered public accounting firm all of the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the Securities and Exchange Commission. The Audit Committee has met with BDO USA, LLP, with and without management present, to discuss the overall scope of BDO's audit, the results of its examinations, and the overall quality of GSI Technology's financial reporting and internal control over financial reporting.

The Audit Committee has received the written disclosures and the letter from our independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning their independence, and has discussed with our independent registered public accounting firm any relationships that may impact their objectivity and independence, and satisfied itself as to our independent registered public accounting firm's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that GSI Technology's audited financial statements be included in GSI Technology's Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

THE AUDIT COMMITTEE

Arthur O. Whipple (Chair)
Jack A. Bradley
Elizabeth Cholawsky
Haydn Hsieh
Kim Le

The foregoing Audit Committee Report shall not be deemed to be incorporated by reference into any filing of GSI Technology under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that GSI Technology specifically incorporates such information by reference.

PROPOSAL NO. 3

ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION (SAY-ON-PAY)

Background

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 and the related rules of the SEC, we provide our stockholders the opportunity to cast an advisory (non-binding) vote on executive compensation, commonly referred to as a “Say-on-Pay” vote. At our 2017 Annual Meeting of Stockholders, our stockholders voted in favor of holding future “Say-on-Pay” votes on an annual basis. The Board subsequently determined that such advisory votes shall be held annually at the annual meeting of stockholders. The vote is advisory, which means that it is not binding on the Board of Directors, the Compensation Committee or GSI Technology in any way. However, the Compensation Committee will review the outcome of the vote and take it into consideration when considering future executive compensation policies and decisions.

At our 2018, 2019 and 2020 annual meetings, 99%, 99% and 99%, respectively, of the votes cast were voted in favor of the Company’s executive compensation program for the previous fiscal year. Partially as a result of this positive stockholder feedback, our Compensation Committee has adopted compensation packages having similar basic structures in subsequent years.

As described in our Compensation Discussion and Analysis included elsewhere in this proxy statement, we seek to closely align the interests of our executive officers with the interests of our stockholders, and attract and retain superior executive talent. Our compensation programs are designed to reward our executive officers for the achievement of our short-term and long-term strategic and operational goals and the achievement of increased total stockholder return, while avoiding the encouragement of unnecessary or excessive risk-taking. Please read the Compensation Discussion and Analysis section for a more detailed discussion of our compensation philosophy and our executive compensation program.

The advisory vote on executive compensation solicited by this proposal is not intended to address any specific item of compensation, but rather the overall compensation of our Chief Executive Officer, our Chief Financial Officer and our three other most highly-compensated executive officers, who are collectively referred to as our “named executive officers,” which is disclosed and discussed elsewhere in this proxy statement. Furthermore, because this non-binding, advisory resolution primarily relates to the compensation of our named executive officers that has already been paid or contractually committed, there is generally no opportunity for us to revisit these decisions.

Stockholders will be asked at the annual meeting to approve the following resolution pursuant to this Proposal No. 3:

“RESOLVED, that the stockholders of GSI Technology, Inc. approve, on an advisory (non-binding) basis, the compensation for the fiscal year ended March 31, 2021 of the Company’s executive officers named in the Summary Compensation Table included in the proxy statement for the 2021 Annual Meeting of Stockholders.”

Vote Required and Board of Directors Recommendation

Approval of this resolution requires the affirmative vote of a majority of the shares present in person or by proxy and voting on the matter. Abstentions and broker non-votes will each be counted as present for purposes of determining a quorum but will not have any effect on the outcome of the vote.

The Board of Directors unanimously recommends a vote “FOR” approval of the foregoing resolution.

PROPOSAL NO. 4

APPROVE AMENDMENT AND RESTATEMENT OF 2016 EQUITY INCENTIVE PLAN

At the annual meeting, stockholders will be asked to approve the amendment and restatement of the GSI Technology, Inc. 2016 Equity Incentive Plan (the “**2016 Plan**”) to (a) authorize 4,000,000 additional shares of common stock for issuance under the 2016 Plan, (b) establish a limit on the sum of the aggregate grant date fair value of equity awards and cash compensation for services as a director that may be provided to any non-employee director in any fiscal year and (c) extend the term of the 2016 Plan during which any awards may be granted until the tenth anniversary of the date of the Annual Meeting. If the amendment and restatement is not approved by stockholders at the 2021 Annual Meeting, no new shares will be added and awards will continue to be granted under the 2016 Equity Incentive Plan as approved by stockholders at the 2016 Annual Meeting.

Material Change to the 2016 Plan

The following summary highlights the proposed material changes to the 2016 Plan:

- Increase the number of shares available for issuance by 4,000,000 shares;
- Limit to \$300,000 the sum of the aggregate grant date fair value of all equity awards and cash compensation for services as a director that may be provided to any non-employee director in any fiscal year, reflecting an amendment to a provision of the 2016 Plan that applies a limit of \$150,000 to the grant of equity awards alone in any fiscal year; and
- Extend the period during which new awards may be granted under the 2016 Plan to the tenth anniversary of the date of the Annual Meeting

Grant Practices

The primary purpose of the 2016 Plan is to promote the interests of the Company and its stockholders by, among other things, (i) attracting and retaining key officers, employees and directors of, and consultants to, the Company and its subsidiaries and affiliates, (ii) motivating those individuals to achieve long-range performance goals, (iii) enabling such individuals to participate in the long-term growth and financial success of the Company, (iv) encouraging ownership of stock in the Company by such individuals, and (v) linking their compensation to the long-term interests of the Company and its stockholders. Increasing the number of shares available for issuance under the 2016 Plan will enable the Company to continue to attract, retain and motivate key officers, employees and directors. As of June 30, 2021:

- 1,179,302 shares remained available for grant of future awards under the 2016 Plan;
- awards were outstanding representing 0 shares that are “full-value” awards (i.e., restricted shares, restricted stock units or other full-value awards as contemplated by the 2016 Plan);
- options to purchase 4,627,859 shares were outstanding;
- the weighted-average exercise price for outstanding options was \$6.93;
- the weighted-average remaining term for outstanding options was 7.59 years; and
- 24,166,062 shares of our common stock were outstanding and the closing price of a share of our common stock on the Nasdaq Stock Market was \$5.62.

Factors Considered by Board

In determining to adopt amendments to the 2016 Plan and recommend their approval by our stockholders, the Board and the Compensation Committee considered various factors, including the following:

- As of June 30, 2021, approximately 1,179,302 shares remain available for grant under the 2016 Plan. Based on historical usage, current share price of our common stock and expected practices, and

noting that future circumstances may require the Company to make changes to its expected practices, the Company estimates that the existing shares available for grant under the 2016 Plan would be sufficient to make equity grants for approximately one year.

- If the amendments to the 2016 Plan are approved, the Company would have an additional 4,000,000 shares authorized for issuance of future awards under the 2016 Plan.
- The additional shares to be authorized for grant under the 2016 Plan would be dilutive to stockholders by 16.6% based on the outstanding shares as of June 30, 2021.
- Based on historical usage and current share price of our common stock, the Company estimates that the additional 4,000,000 shares to be authorized for grant under the 2016 Plan, if approved by the Company's stockholders, should be sufficient for the Company to make equity grants for approximately the next 5 years, assuming the Company continues to grant awards consistent with its historical usage and expected practices, and noting that future circumstances may require the Company to make changes to our expected practices.

Key Features of 2016 Plan

The 2016 Plan contains a number of provisions that the Company believes are consistent with the interests of the Company's stockholders and sound corporate governance practices, including:

- Stockholder approval will be required before any additional shares can be authorized for issuance under the 2016 Plan.
- The 2016 Plan prohibits the repricing of stock options and stock appreciation rights without the approval of our stockholders. This restriction applies to both direct repricing (lowering the exercise price of a stock option) and indirect repricing (canceling an outstanding stock option in exchange for cash or another award) other than in connection with a change in control or a substitute award.
- No discount from fair market value is permitted in setting the exercise price of stock options and stock appreciation rights.
- The number of shares for which awards may be granted to any non-employee member of our Board of Directors in a fiscal year is limited. The 2016 Plan imposes a limit of \$300,000 on the maximum grant date fair value of equity awards and cash compensation for services as a director that may be granted to any non-employee director during any fiscal year.
- The 2016 Plan does not contain a "liberal" change in control definition (e.g., mergers require actual consummation).
- Performance awards require the achievement of pre-established goals. The 2016 Plan establishes a list of measures of business and financial performance from which the Compensation Committee may construct predetermined performance goals that must be met for an award to vest.
- The 2016 Plan has a fixed term of ten years.

The Board of Directors believes that the 2016 Plan will serve a critical role in attracting and retaining the high caliber employees, consultants and directors essential to our success and in motivating these individuals to strive to meet our goals. Therefore, the Board urges you to vote to approve the amendment and restatement of the 2016 Plan.

Summary of the 2016 Plan, as amended and restated

The following summary of the 2016 Plan is qualified in its entirety by the specific language of the 2016 Plan, a copy of which is attached to this proxy statement as Appendix A.

General. The purpose of the 2016 Plan is to advance the interests of the Company and its stockholders by providing an incentive program that will enable the Company to attract and retain employees, consultants and directors and to provide them with an equity interest in the growth and profitability of the Company. These incentives are provided through the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, other stock-based awards and cash-based awards.

Authorized Shares. Assuming approval of this proposal at the Annual Meeting and subject to adjustment as provided by the terms of the 2016 Plan, the cumulative maximum number of shares authorized for issuance under the 2016 Plan is the sum of (a) 4,000,000 shares, plus (b) the 6,000,000 shares that remained available for grant under the Company's 2007 Equity Incentive Plan (the "**Predecessor Plan**") immediately prior to its termination on August 25, 2016, plus (c) the number of shares subject to any option or other award outstanding under the Predecessor Plan that expires or is forfeited for any reason after August 25, 2016. As of August 26, 2016, there were 7,422,754 shares subject to unexercised options and other awards remaining unvested and subject to potential forfeiture under the Predecessor Plan. As of June 30, 2021, a total of 345,689 of such shares had been forfeited and added to the 2016 Plan's share reserve and 4,627,859 shares remained subject to potential forfeiture under the Predecessor Plan. Shares issued by the Company as substitute awards granted solely in connection with the assumption of outstanding awards previously granted by a company acquired by the Company, or with which the Company combines do not reduce the number of shares available for awards under the 2016 Plan.

Share Counting. Each share subject to an award will reduce the number of shares remaining available for grant under the 2016 Plan by one share. If any award granted under the 2016 Plan expires or otherwise terminates for any reason without having been exercised or settled in full, or if shares subject to forfeiture or repurchase are forfeited or repurchased by the Company for not more than the participant's purchase price, any such shares reacquired or subject to a terminated award will again become available for issuance under the 2016 Plan. Shares will not be treated as having been issued under the 2007 Plan and will therefore not reduce the number of shares available for issuance to the extent an award is settled in cash or to the extent that shares are withheld or reacquired by the Company in satisfaction of a tax withholding obligation. Upon the exercise of a stock appreciation right, tender of shares in payment of an option's exercise price or net-exercise of an option, the number of shares available under the 2016 Plan will be reduced by number of shares actually issued in settlement of the award. Shares issued by the Company as substitute awards granted solely in connection with the assumption of outstanding awards previously granted by a company acquired by the Company, or with which the Company combines do not reduce the number of shares available for awards under the 2016 Plan.

Adjustments for Capital Structure Changes. Appropriate and proportionate adjustments will be made to the number of shares authorized under the 2016 Plan, to the numerical limits on certain types of awards described below, and to outstanding awards in the event of any change in our common stock through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in our capital structure, or if we make a distribution to our stockholders in a form other than common stock (excluding regular, periodic cash dividends) that has a material effect on the fair market value of our common stock. In such circumstances, the Compensation Committee also has the discretion under the 2016 Plan to adjust other terms of outstanding awards as it deems appropriate.

Non-Employee Director Award Limits.

A non-employee director may not be granted awards under the 2016 Plan in any fiscal year for more than the number of shares determined by dividing \$150,000 by the fair market value of a share of our common stock on the trading day immediately preceding the applicable grant date.

A non-employee director may not be granted in any fiscal year awards under the 2016 Plan having an aggregate grant date fair value that, when taken together with any cash compensation paid to the director for service as a non-employee director in the same fiscal year, exceeds \$300,000. Grant date fair value will be determined for this purpose in accordance with applicable financial accounting principles.

Other Award Limits. The 2016 Plan establishes a limit on the maximum aggregate number of shares or dollar value for which such awards may be granted to an employee in any fiscal year, as follows:

- No more than 300,000 shares subject to stock options and stock appreciation rights.
- No more than 100,000 shares subject to restricted stock and restricted stock unit awards.
- For each full fiscal year of the Company contained in the performance period of performance shares or performance unit awards, no more than 50,000 shares subject to performance share awards or more than \$500,000 subject to performance unit awards.

- For each full fiscal year of the Company contained in the performance period of cash-based or other stock-based awards, no more than \$500,000 subject to cash-based awards or more than 50,000 shares subject to other stock-based awards.

In addition, to comply with applicable tax rules, the 2016 Plan also limits to 10,000,000 the number of shares that may be issued upon the exercise of incentive stock options granted under the 2016 Plan.

Administration. The 2016 Plan generally is administered by the Compensation Committee of the Board of Directors, although the Board of Directors retains the right to appoint another of its committees to administer the 2016 Plan or to administer the 2016 Plan directly. (For purposes of this summary, the term “Committee” refers to either such duly appointed committee or the Board of Directors.) Subject to the provisions of the 2016 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the types and sizes of awards, and all of their terms and conditions. The Committee may, subject to certain limitations on the exercise of its discretion provided by the 2016 Plan, amend, cancel or renew any award, waive any restrictions or conditions applicable to any award, and accelerate, continue, extend or defer the vesting of any award.

The 2016 Plan provides, subject to certain limitations, for indemnification by the Company of any director, officer or employee against all reasonable expenses, including attorneys’ fees, incurred in connection with any legal action arising from such person’s action or failure to act in administering the 2016 Plan. All awards granted under the 2016 Plan are evidenced by a written or digitally signed agreement between the Company and the participant specifying the terms and conditions of the award, consistent with the requirements of the 2016 Plan. The Committee interprets the 2016 Plan and awards granted thereunder, and all determinations of the Committee generally will be final and binding on all persons having an interest in the 2016 Plan or any award.

Prohibition of Option and SAR Repricing. The 2016 Plan expressly provides that, without the approval of a majority of the votes cast in person or by proxy at a meeting of our stockholders, the Committee may not provide for any of the following with respect to underwater options or stock appreciation rights: (1) either the cancellation of such outstanding options or stock appreciation rights in exchange for the grant of new options or stock appreciation rights at a lower exercise price or the amendment of outstanding options or stock appreciation rights to reduce the exercise price, (2) the issuance of new full value awards in exchange for the cancellation of such outstanding options or stock appreciation rights, or (3) the cancellation of such outstanding options or stock appreciation rights in exchange for payments in cash.

Eligibility. Awards may be granted to employees, directors and consultants of the Company or any present or future parent or subsidiary corporation or other affiliated entity of the Company. Incentive stock options may be granted only to employees who, as of the time of grant, are employees of the Company or any parent or subsidiary corporation of the Company. As of June 30, 2021, we had approximately 180 employees, including 10 executive officers, and 6 non-employee directors who are eligible under the 2016 Plan.

Stock Options. The Committee may grant nonstatutory stock options, incentive stock options within the meaning of Section 422 of the Code, or any combination of these. The exercise price of each option may not be less than the fair market value of a share of our common stock on the date of grant. However, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company (a “10% Stockholder”) must have an exercise price equal to at least 110% of the fair market value of a share of common stock on the date of grant. On June 30, 2021, the closing price of our common stock as reported on the Nasdaq Stock Market was \$5.62 per share.

The 2016 Plan provides that the option exercise price may be paid in cash, by check, or cash equivalent; by means of a broker-assisted cashless exercise; by means of a net-exercise procedure; to the extent legally permitted, by tender to the Company of shares of common stock owned by the participant having a fair market value not less than the exercise price; by such other lawful consideration as approved by the Committee; or by any combination of these. Nevertheless, the Committee may restrict the forms of payment permitted in connection with any option grant. No option may be exercised unless the participant has made adequate provision for federal, state, local and foreign taxes, if any, relating to the exercise of the option, including,

if permitted or required by the Company, through the participant's surrender of a portion of the option shares to the Company.

Options will become vested and exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The maximum term of any option granted under the 2016 Plan is ten years, provided that an incentive stock option granted to a 10% Stockholder must have a term not exceeding five years. Unless otherwise permitted by the Committee, an option generally will remain exercisable for three months following the participant's termination of service, provided that if service terminates as a result of the participant's death or disability, the option generally will remain exercisable for 12 months, but in any event the option must be exercised no later than its expiration date, and provided further that an option will terminate immediately upon a participant's termination for cause (as defined by the 2016 Plan).

Options are nontransferable by the participant other than by will or by the laws of descent and distribution, and are exercisable during the participant's lifetime only by the participant. However, an option may be assigned or transferred to certain family members or trusts for their benefit to the extent permitted by the Committee and, in the case of an incentive stock option, only to the extent that the transfer will not terminate its tax qualification. No option may be transferred to a third-party financial institution for value.

Stock Appreciation Rights. The Committee may grant stock appreciation rights either in tandem with a related option (a "**Tandem SAR**") or independently of any option (a "**Freestanding SAR**"). A Tandem SAR requires the option holder to elect between the exercise of the underlying option for shares of common stock or the surrender of the option and the exercise of the related stock appreciation right. A Tandem SAR is exercisable only at the time and only to the extent that the related stock option is exercisable, while a Freestanding SAR is exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The exercise price of each stock appreciation right may not be less than the fair market value of a share of our common stock on the date of grant.

Upon the exercise of any stock appreciation right, the participant is entitled to receive an amount equal to the excess of the fair market value of the underlying shares of common stock as to which the right is exercised over the aggregate exercise price for such shares. Payment of this amount upon the exercise of a Tandem SAR may be made only in shares of common stock whose fair market value on the exercise date equals the payment amount. At the Committee's discretion, payment of this amount upon the exercise of a Freestanding SAR may be made in cash or shares of common stock. The maximum term of any stock appreciation right granted under the 2016 Plan is ten years.

Stock appreciation rights are generally nontransferable by the participant other than by will or by the laws of descent and distribution, and are generally exercisable during the participant's lifetime only by the participant. If permitted by the Committee, a Tandem SAR related to a nonstatutory stock option and a Freestanding SAR may be assigned or transferred to certain family members or trusts for their benefit to the extent permitted by the Committee. Other terms of stock appreciation rights are generally similar to the terms of comparable stock options.

Restricted Stock Awards. The Committee may grant restricted stock awards under the 2016 Plan either in the form of a restricted stock purchase right, giving a participant an immediate right to purchase common stock, or in the form of a restricted stock bonus, in which stock is issued in consideration for services to the Company rendered by the participant. The Committee determines the purchase price payable under restricted stock purchase awards, which may be less than the then current fair market value of our common stock. Restricted stock awards may be subject to vesting conditions based on such service or performance criteria as the Committee specifies, including the attainment of one or more performance goals similar to those described below in connection with performance awards. Shares acquired pursuant to a restricted stock award may not be transferred by the participant until vested. Unless otherwise provided by the Committee, a participant will forfeit any shares of restricted stock as to which the vesting restrictions have not lapsed prior to the participant's termination of service. Unless otherwise determined by the Committee, participants holding restricted stock will have the right to vote the shares and to receive any dividends paid, except that

dividends or other distributions paid in shares will be subject to the same restrictions as the original award and dividends paid in cash may be subject to such restrictions.

Restricted Stock Units. The Committee may grant restricted stock units under the 2016 Plan, which represent rights to receive shares of our common stock at a future date determined in accordance with the participant's award agreement. No monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award, the consideration for which is furnished in the form of the participant's services to the Company. The Committee may grant restricted stock unit awards subject to the attainment of one or more performance goals similar to those described below in connection with performance awards, or may make the awards subject to vesting conditions similar to those applicable to restricted stock awards. Unless otherwise provided by the Committee, a participant will forfeit any restricted stock units which have not vested prior to the participant's termination of service. Participants have no voting rights or rights to receive cash dividends with respect to restricted stock unit awards until shares of common stock are issued in settlement of such awards. However, the Committee may grant restricted stock units that entitle their holders to dividend equivalent rights, which are rights to receive cash or additional restricted stock units whose value is equal to any cash dividends the Company pays.

Performance Awards. The Committee may grant performance awards subject to such conditions and the attainment of such performance goals over such periods as the Committee determines in writing and sets forth in a written agreement between the Company and the participant. These awards may be designated as performance shares or performance units, which consist of unfunded bookkeeping entries generally having initial values equal to the fair market value determined on the grant date of a share of common stock in the case of performance shares and a monetary value established by the Committee at the time of grant in the case of performance units. Performance awards will specify a predetermined amount of performance shares or performance units that may be earned by the participant to the extent that one or more performance goals are attained within a predetermined performance period. To the extent earned, performance awards may be settled in cash, shares of common stock (including shares of restricted stock that are subject to additional vesting) or any combination of these.

Performance goals will be based on the attainment of specified target levels with respect to one or more measures of business or financial performance of the Company and each subsidiary corporation consolidated with the Company for financial reporting purposes, or such division or business unit of the Company as may be selected by the Committee. The Committee, in its discretion, may base performance goals on one or more of the following such measures (or any other metric or goals the Committee may determine): revenue; sales; expenses; operating income; gross margin; operating margin; earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization; pre-tax profit; net operating income; net income; economic value added; free cash flow; operating cash flow; balance of cash, cash equivalents and marketable securities; stock price; earnings per share; return on stockholder equity; return on capital; return on assets; return on investment; total stockholder return, employee satisfaction; employee retention; market share; customer satisfaction; product development; research and development expense; completion of an identified special project, completion of a joint venture or other corporate transaction, and personal performance objectives established for an individual participant or group of participants.

The target levels with respect to these performance measures may be expressed on an absolute basis or relative to an index, budget or other standard specified by the Committee. The degree of attainment of performance measures will be calculated in accordance with the Company's financial statements, generally accepted accounting principles, if applicable, or other methodology established by the Committee, but prior to the accrual or payment of any performance award for the same performance period, and, according to criteria established by the Committee, excluding the effect (whether positive or negative) of changes in accounting standards or any unusual or infrequently occurring event or transaction occurring after the establishment of the performance goals applicable to a performance award.

Following completion of the applicable performance period, the Committee will determine the extent to which the applicable performance goals have been attained and the resulting value to be paid to the participant. The Committee may make positive or negative adjustments to performance award payments to reflect an individual's job performance or other factors determined by the Committee. In its discretion, the Committee may provide for a participant awarded performance shares to receive dividend equivalent

rights with respect to cash dividends paid on the Company's common stock to the extent that the performance shares become vested. The Committee may provide for performance award payments in lump sums or installments.

Unless otherwise provided by the Committee, if a participant's service terminates due to the participant's death or disability prior to completion of the applicable performance period, the final award value will be determined at the end of the performance period on the basis of the performance goals attained during the entire performance period but will be prorated for the number of days of the participant's service during the performance period. The Committee may provide similar treatment for a participant whose service is involuntarily terminated. If a participant's service terminates prior to completion of the applicable performance period for any other reason, the 2016 Plan provides that the performance award will be forfeited. No performance award may be sold or transferred other than by will or the laws of descent and distribution prior to the end of the applicable performance period.

Cash-Based Awards and Other Stock-Based Awards. The Committee may grant cash-based awards or other stock-based awards in such amounts and subject to such terms and conditions as the Committee determines. Cash-based awards will specify a monetary payment or range of payments, while other stock-based awards will specify a number of shares or units based on shares or other equity-related awards. Such awards may be subject to vesting conditions based on continued performance of service or subject to the attainment of one or more performance goals similar to those described above in connection with performance awards. Settlement of awards may be in cash or shares of common stock, as determined by the Committee. A participant will have no voting rights with respect to any such award unless and until shares are issued pursuant to the award. The committee may grant dividend equivalent rights with respect to other stock-based awards. The effect on such awards of the participant's termination of service will be determined by the Committee and set forth in the participant's award agreement.

Change in Control. Unless otherwise defined in a participant's award or other agreement with the Company, the 2016 Plan provides that a "Change in Control" occurs upon (a) a person or entity (with certain exceptions described in the 2016 Plan) becoming the direct or indirect beneficial owner of more than 50% of the Company's voting stock; (b) stockholder approval of a liquidation or dissolution of the Company; or (c) the occurrence of any of the following events upon which the stockholders of the Company immediately before the event do not retain immediately after the event direct or indirect beneficial ownership of more than 50% of the voting securities of the Company, its successor or the entity to which the assets of the company were transferred: (i) a sale or exchange by the stockholders in a single transaction or series of related transactions of more than 50% of the Company's voting stock; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

If a Change in Control occurs, the surviving, continuing, successor or purchasing entity or its parent may, without the consent of any participant, either assume or continue outstanding awards or substitute substantially equivalent awards for its stock. If so determined by the Committee, stock-based awards will be deemed assumed if, for each share subject to the award prior to the Change in Control, its holder is given the right to receive the same amount of consideration that a stockholder would receive as a result of the Change in Control. Any awards which are not assumed or continued in connection with a Change in Control or exercised or settled prior to the Change in Control will terminate effective as of the time of the Change in Control.

Subject to the restrictions of Section 409A of the Code, the Committee may provide for the acceleration of vesting or settlement of any or all outstanding awards upon such terms and to such extent as it determines. The vesting of all awards held by non-employee directors will be accelerated in full upon a Change in Control.

The 2016 Plan also authorizes the Committee, in its discretion and without the consent of any participant, to cancel each or any award denominated in shares of stock upon a Change in Control in exchange for a payment to the participant with respect each vested share (and each unvested share if so determined by the Committee) subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the Change in Control transaction over the exercise or purchase price per share, if any, under the award.

Awards Subject to Section 409A of the Code. Certain awards granted under the 2016 Plan may be deemed to constitute “deferred compensation” within the meaning of Section 409A of the Code, providing rules regarding the taxation of nonqualified deferred compensation plans, and the regulations and other administrative guidance issued pursuant to Section 409A. Any such awards will be required to comply with the requirements of Section 409A. Notwithstanding any provision of the 2016 Plan to the contrary, the Committee is authorized, in its sole discretion and without the consent of any participant, to amend the 2016 Plan or any award agreement as it deems necessary or advisable to comply with Section 409A.

Amendment, Suspension or Termination. The 2016 Plan will continue in effect until its termination by the Committee, provided that no awards may be granted under the 2016 Plan following the tenth anniversary of date of the Annual Meeting at which the amended and restated 2016 Plan is approved by the stockholders. The Committee may amend, suspend or terminate the 2016 Plan at any time, provided that no amendment may be made without stockholder approval that would increase the maximum aggregate number of shares of stock authorized for issuance under the 2016 Plan, change the class of persons eligible to receive incentive stock options or require stockholder approval under any applicable law. No amendment, suspension or termination of the 2016 Plan may affect any outstanding award unless expressly provided by the Committee, and, in any event, may not have a materially adverse effect on an outstanding award without the consent of the participant unless necessary to comply with any applicable law, regulation or rule, including, but not limited to, Section 409A of the Code.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the 2016 Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances.

Incentive Stock Options. A participant recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. Participants who neither dispose of their shares within two years following the date the option was granted nor within one year following the exercise of the option will normally recognize a capital gain or loss upon the sale of the shares equal to the difference, if any, between the sale price and the purchase price of the shares. If a participant satisfies such holding periods upon a sale of the shares, we will not be entitled to any deduction for federal income tax purposes. If a participant disposes of shares within two years after the date of grant or within one year after the date of exercise (a “disqualifying disposition”), the difference between the fair market value of the shares on the option exercise date and the exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the participant upon the disqualifying disposition of the shares generally should be deductible by us for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

In general, the difference between the option exercise price and the fair market value of the shares on the date of exercise of an incentive stock option is treated as an adjustment in computing the participant’s alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to participants subject to the alternative minimum tax.

Nonstatutory Stock Options. Options not designated or qualifying as incentive stock options are nonstatutory stock options having no special tax status. A participant generally recognizes no taxable income upon receipt of such an option. Upon exercising a nonstatutory stock option, the participant normally recognizes ordinary income equal to the difference between the exercise price paid and the fair market value of the shares on the date when the option is exercised. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the exercise date, will be taxed as capital gain or loss.

We generally should be entitled to a tax deduction equal to the amount of ordinary income recognized by the participant as a result of the exercise of a nonstatutory stock option, except to the extent such deduction is limited by applicable provisions of the Code.

Stock Appreciation Rights. A Participant recognizes no taxable income upon the receipt of a stock appreciation right. Upon the exercise of a stock appreciation right, the participant generally will recognize ordinary income in an amount equal to the excess of the fair market value of the underlying shares of common stock on the exercise date over the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant in connection with the exercise of the stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code.

Restricted Stock. A participant acquiring restricted stock generally will recognize ordinary income equal to the excess of the fair market value of the shares on the “determination date” over the price paid, if any, for such shares. The “determination date” is the date on which the participant acquires the shares unless the shares are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture (e.g., when they become vested). If the determination date follows the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to designate the date of acquisition as the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date on which the shares are acquired. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the determination date, will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Restricted Stock Unit, Performance, Cash-Based and Other Stock-Based Awards. A participant generally will recognize no income upon the receipt of a restricted stock unit, performance share, performance unit, cash-based or other stock-based award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of settlement in an amount equal to the cash received and the fair market value of any substantially vested shares of stock received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above under “Restricted Stock.” Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the determination date (as defined above under “Restricted Stock”), will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Future 2016 Plan Benefits

All awards to employees, officer, directors and consultants under the 2016 Plan are made at the discretion of the Committee. Therefore, the benefits and amounts that will be received or allocated under the 2016 Plan in the future are not determinable at this time.

Past Grants of Option under the 2016 Plan

The aggregate number of shares of common stock subject to options granted to certain persons under the 2016 Plan since its inception is set forth in the table below. Since its inception, no option has been granted under the 2016 Plan to any nominee for election as a director, or any associate of any director, nominee, or executive officer, and no other person has been granted 5% or more of the total amount of options granted under the 2016 Plan.

Name and Position	Amount of Options
Lee-Lean Shu, President and Chief Executive Officer	400,000
Douglas M. Schirle, Chief Financial Officer	160,000
Didier Lasserre, Vice President, Sales	150,000
Robert Yau, Vice President, Engineering	160,000
Ping Wu, Vice President, U.S. Operations	120,000
All current executive officers, as a group	1,695,000
All current directors who are not executive officers, as a group	215,387
All employees, including all current officers who are not executive officers, as a group	3,255,975

Required Vote and Board of Directors Recommendation

Approval of this proposal requires the affirmative vote of a majority of the shares present or represented by proxy and entitled to vote on this proposal. If you hold your shares in your own name and abstain from voting on this matter, your abstention will have the same effect as a negative vote. If you hold your shares through a broker and you do not instruct the broker on how to vote on this proposal, your broker will not have authority to vote your shares. Broker non-votes will have no effect on the outcome of this vote. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum.

The Board believes that the proposed amendment and restatement of the 2016 Plan is in the best interests of the Company and its stockholders for the reasons stated above.

The Board of Directors unanimously recommends a vote “FOR” the approval of the amendment and restatement of the 2016 Plan.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis explains our philosophy and objectives with respect to the compensation of our executive officers and our compensation-setting process and provides more detailed information regarding the compensation of our Chief Executive Officer, our Chief Financial Officer, and our other three most highly-compensated executive officers, determined as of March 31, 2021. We refer to these individuals as our “named executive officers.” This discussion focuses on the information contained in the tables and related footnotes and narrative included below, primarily for our 2021 fiscal year.

Philosophy and Objectives

Our fundamental compensation philosophy is to align the compensation of our senior management with our annual and long-term business objectives, performance against those objectives and creation of stockholder value, as well as to offer compensation that will enable us to attract, retain, and appropriately reward executive officers whose contributions are necessary for our long-term success. We seek to reward our executive officers’ contributions to achieving revenue growth, increasing operating profits and controlling costs. We operate in a very competitive environment for executive talent, and it is our belief that our compensation packages should be competitive when compared to our peers and should also be aligned with our stockholders’ interests.

The Compensation Committee of the Board of Directors oversees the design and administration of our executive compensation program. The principal elements of the program are base salary, variable incentive cash compensation programs, long-term equity-based incentive compensation and broad-based benefits programs. The policy of the Compensation Committee is that the total compensation of the executive officers should generally be comparable to the median compensation paid by the Company’s peer companies to officers performing comparable functions. However, it has not been the Compensation Committee’s policy to adopt a rigid formula or benchmark system related to peer company compensation practices.

Compensation-Setting Process

Generally, the Compensation Committee reviews the compensation of our executive officers in the early part of each fiscal year and takes action at that time to set base salaries and variable compensation for the current year. In setting our executive officers’ total compensation, the Compensation Committee considers individual and company performance, as well as compensation surveys and other market information regarding compensation paid by comparable companies, including our industry peers. The Compensation Committee considers the grant of equity awards to all of our executive and non-executive officers at the same time, once a year, usually in July or August.

In its annual review of compensation for GSI Technology’s executive officers, the Compensation Committee has considered compensation data and analyses assembled and prepared by the Committee and our Human Resources staff. The Chief Executive Officer provides the Compensation Committee with a review of each of the other executive officer’s individual performance and contributions over the past year and makes recommendations regarding their compensation, which the Compensation Committee considers. In making compensation decisions, our Chief Executive Officer and our Compensation Committee have considered the Company’s financial performance as well as the experience level and contributions of the individual executive officer, the role and responsibilities of the executive officer and market factors.

The Compensation Committee has the authority to engage its own consultants and advisors to assist it in carrying out its responsibilities. In February 2013, the Compensation Committee determined that it would periodically retain compensation consultants in connection with its annual review of executive officer compensation and, in accordance with such policy, engaged the services of Compensia, Inc. (“Compensia”), an independent national compensation consulting firm, to assist it in connection with its annual review and determination of executive officer compensation for fiscal 2014, 2016, 2018 and 2020. Pursuant to the terms of its engagement, Compensia is directed to assist with the selection of the peer group and then, using

such peer group, provide a competitive assessment of executive officer compensation to the Compensation Committee and a similar assessment of director compensation programs to the Nominating and Governance Committee. The Compensation Committee has assessed the independence of Compensia pursuant to applicable SEC rules and concluded that no conflicts of interest existed that would affect Compensia's independence in providing services and advice to the Compensation Committee. The Compensation Committee did not retain the services of compensation consultants in connection with its annual review and determination of executive officer compensation for fiscal 2015, 2017, 2019 or 2021.

At our annual meetings of stockholders, we provide our stockholders the opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers for the previous fiscal year, as disclosed in the proxy statement for the meeting (commonly referred to as a "Say-on-Pay" vote). These stockholder advisory votes are held after the Compensation Committee has determined the compensation to be paid to our executive officers for the fiscal year in question. Accordingly, the Compensation Committee cannot take such results into account in determining executive compensation for that year. However, in its annual review of executive compensation, the Compensation Committee considers, among other things, the results of the stockholder Say-on-Pay vote for previous years.

Components of Compensation

In order to align executive compensation with our compensation philosophy, our executive compensation package contains three principal components: (i) base salary, (ii) variable cash compensation and (iii) long-term stock-based incentive awards. Each component of our executive compensation program is designed to reward a different aspect of performance. The base salaries of our executive officers are initially set based on negotiation with the individual officers at the time of their recruitment. Once set, these base salaries are subject to annual review. Our variable cash compensation plans are intended to motivate and reward performance over the current fiscal year. Our equity award program is designed to provide long-term retention incentives through the use of options subject to time-based vesting. We also provide our executive officers a variety of benefits that are available generally to all salaried employees. The basic elements of our executive compensation package are generally the same among our named executive officers.

Fiscal 2021 Base Salary

The base salaries of our executive officers are initially negotiated with the individual executive officer at the time of his or her recruitment or promotion and with reference to their experience, expected contribution, geographical location and market factors. Historically, the base salaries of our executive officers generally have been adjusted concurrently with our annual company-wide compensation review.

During the first quarter of fiscal 2021, the Compensation Committee conducted its annual review of executive compensation. In connection with its fiscal 2021 review, the Compensation Committee, with the assistance of our Chief Financial Officer, compiled data on the same group of peer companies identified with the assistance of Compensia in connection with the fiscal 2020 review, with the exception of two companies that were no longer public reporting companies (the "Fiscal 2021 Peer Companies"). The Fiscal 2021 Peer Companies include industry peers and similarly-sized companies in our broader industry group. The Fiscal 2021 Peer Companies were as follows:

Adesto Technologies Corp.	DSP Group, Inc.	inTEST Corporation
Amtech Systems, Inc.	Emcore Corporation	Kopin Corporation
AXT, Inc.	Everspin Technologies	Pixelworks, Inc
CEVA, Inc.	Immersion Corporation	QuickLogic Corporation
	Impinj	

In its annual review of executive compensation for fiscal 2021, the Compensation Committee took into account its general compensation philosophy and objectives, as described above, and various other considerations, including:

- available compensation data for the Fiscal 2021 Peer Companies and the competitive assessment provided by Compensia;

- the Company's financial performance during fiscal 2020, including the decline of net revenues from the prior year and an increase of the Company's operating loss;
- the current outlook for the Company's fiscal 2021 financial performance; and
- management's recommendation that no increase in officers' base salaries over fiscal 2020 levels was deemed appropriate.

The Committee also noted that, by positive votes at the last three annual meetings of stockholders, our stockholders had approved the compensation of our named executive officers. Partially in recognition of this positive stockholder feedback, the Committee adopted a compensation package for fiscal 2021 having the same basic structure as the compensation packages that had been adopted for previous years.

On the basis of its review, on May 5, 2020, the Compensation Committee concluded that executive officer base salaries would not be increased. The fiscal 2021 base salaries of the named executive officers were as follows:

Name	Title	Fiscal 2021 Base Salary	Percentage Increase over Fiscal 2020 Base Salary
Lee-Lean Shu	President and Chief Executive Officer	\$431,912	—
Douglas M. Schirle	Chief Financial Officer	\$306,593	—
Didier Lasserre	Vice President, Sales	\$322,712	—
Robert Yau	Vice President, Engineering	\$285,870	—
Ping Wu	Vice President, U.S. Operations	\$275,052	—

2021 Variable Compensation Plan

Under our compensation policy, a significant component of each executive officer's potential annual compensation takes the form of a performance-based cash bonus. On June 1, 2020, the Compensation Committee adopted the 2021 Variable Compensation Plan, which was similar in structure to previous variable compensation plans for the Company's executive officers. The 2021 Variable Compensation Plan was designed to encourage performance and retention of eligible employees by providing cash bonus awards based on our financial performance, achievement of specified APU net revenue and our success in completing specified milestones in the development of our new in-place associative computing (APU) products during the fiscal year ended March 31, 2021. Each of our executive officers was eligible to participate in the 2021 Plan. Certain non-executive officers were also eligible to participate.

Under the 2021 Variable Compensation Plan, each participant had a designated target bonus, which was set at the same level as their target bonus under the 2020 Variable Compensation Plan. The target bonus for Lee-Lean Shu, our President, Chief Executive Officer and Chairman, was \$250,000, and the target bonus for each of our other executive officers was \$125,000. If the target financial goals were exceeded, actual bonus awards payable to participants in the 2021 Variable Compensation Plan could have been up to two times their target bonuses. There was no threshold or minimum amount payable under the 2021 Variable Compensation Plan. The Compensation Committee considered the critical role of Mr. Shu, our President and Chief Executive Officer, in our long-term success when determining his target bonus amount. The use of the same target bonus amount for each of our other named executive officers reflected the Compensation Committee's desire to encourage a team approach by treating our executive officers equally with respect to bonus opportunities. The actual bonus awards were computed on the basis of our fiscal 2021 operating results, the achievement of specified APU net revenue and the completion of specified milestones in the development of our new in-place associative computing products, with 30% of each award based on the achievement of targeted net revenues, 20% based on the achievement of targeted operating income, as adjusted to exclude certain specified categories of expenses, 25% based on achievement of meeting specified APU net revenues and 25% based on the completion of APU development milestones. The percentage allocation between these four targets reflected a balance between the Compensation Committee's desire to make the target bonus achievable given the comparatively greater ability of our executive officers to increase revenues, while still focusing the attention of our executive officers on our profitability, which it believes to be the more important factor in improving stockholder value, and the importance of completing our new in-place associative computing products on time or ahead of schedule.

For fiscal 2021, our net revenues were below the minimum required to earn the net revenue portion of the 2021 Variable Compensation Plan target, our adjusted operating income was below the minimum required to earn the operating income portion of the 2021 Variable Compensation Plan bonus award, our APU shipments were below the minimum required to earn the APU net revenue portion of the 2021 Variable Compensation Plan bonus award, however the APU development milestones achieved were 100% of the 2021 Variable Compensation Plan target. Net revenues were below the minimum required to earn the net revenue target, and adjusted operating income was below the minimum required to earn the operating income portion of the 2021 Variable Compensation Plan bonus award primarily because shipments in general, including shipments to our largest customer, were both below plan levels, and both significantly impacted by the COVID-19 pandemic.

Based on these operating results and the lack of achievement of the APU net revenue target, bonuses earned under the 2021 Variable Compensation Plan were 0% of the net revenue target bonus, 0% of the adjusted operating income target bonus, 0% of the APU target bonus and 100% of the development milestones target. Original target bonus amounts for each of the named executive officers under the 2021 Variable Compensation Plan and the bonuses actually earned under the plan for their services during fiscal 2021 were as follows:

Name	Fiscal 2021 Target Bonus	Fiscal 2021 Bonus Earned
Lee-Lean Shu	\$250,000	\$62,500
Douglas M. Schirle	\$125,000	\$31,250
Didier Lasserre	\$125,000	\$31,250
Robert Yau	\$125,000	\$31,250
Ping Wu	\$125,000	\$31,250

Bonus awards paid under the 2021 Plan are subject to vesting based on the participant's continued employment with the Company, with 60% becoming vested and payable on the last business day in April 2021 and 20% becoming vested and payable on the last business day in April of each of the succeeding two years.

Total Fiscal 2021 Cash Compensation

The total cash compensation of each of our named executive officers for fiscal 2021 was:

Name	Principal Position	Fiscal 2021 Base Salary	Fiscal 2021 Total Cash Compensation Earned
Lee-Lean Shu	President and Chief Executive Officer	\$431,912	\$494,412 ⁽¹⁾
Douglas M. Schirle	Chief Financial Officer	\$306,593	\$337,843 ⁽²⁾
Didier Lasserre	Vice President, Sales	\$322,712	\$359,362 ⁽³⁾
Robert Yau	Vice President, Engineering	\$285,870	\$317,120 ⁽²⁾
Ping Wu	Vice President, U.S. Operations	\$275,052	\$306,302 ⁽²⁾

(1) Includes incentive compensation of \$62,500 earned under the 2021 Variable Compensation Plan.

(2) Includes incentive compensation of \$31,250 earned under the 2021 Variable Compensation Plan.

(3) Includes incentive compensation of \$31,250 earned under the 2021 Variable Compensation Plan and an annual car allowance of \$5,400.

Long-Term Incentive Compensation

We utilize stock option awards as a primary component of compensation for our executive officers, with the objective of strengthening the mutuality of interests between the executive officers and our stockholders. These grants are designed to provide each executive with a significant incentive to manage from the perspective of an owner with an equity stake in our company. All stock options granted to our

employees, including named executive officers, and to our directors have exercise prices equal to the fair market value of our common stock on the grant date. Our policies and procedures for the grant of stock-based awards provide that all options and other stock-based awards are generally to be granted by the Compensation Committee and, except in special circumstances, all grants are to be made at regular quarterly meetings of the Compensation Committee. Accordingly, option grants to new employees hired since the previous quarterly meeting and annual grants to continuing employees with anniversary dates subsequent to the previous meeting are made each quarter. The effective date of each quarterly grant is the later of the second trading day following the public announcement of our financial results for the preceding quarter or the date of the meeting at which the grant is approved.

The Compensation Committee considers the grant of equity awards to all of our executive and non-executive officers at the same time, once a year, usually in July or August. During fiscal 2021, the Compensation Committee approved grants to our named executive officers of options to purchase the following number of shares of our common stock:

Name	Shares
Lee-Lean Shu	100,000
Douglas M. Schirle	40,000
Didier Lasserre	40,000
Robert Yau	40,000
Ping Wu	30,000

Unlike options granted to our non-officer employees, which vest in four annual installments, options granted to our executive and non-executive officers vest in their entirety four years after the anniversary date of the officer's commencement of employment that is closest to the date of grant, subject to the officer's continued service. Each of these option grants provides a return to the officer only if he remains employed by us during the respective vesting period, and then only if the market price of the shares appreciates over the option term. The Compensation Committee believes the four-year vesting schedule deters risk taking and further focuses management on building long-term stockholder value. The value of the shares subject to the fiscal 2021 option grants to executive officers are reflected in the "Summary Compensation Table" below, and further information about these grants is contained in the "Fiscal 2021 Grants of Plan-Based Awards" table below.

Executive Retention and Severance Plan

On September 30, 2014, the Compensation Committee adopted the Executive Retention and Severance Plan (the "Retention Plan") and on August 29, 2017 and August 27, 2020 extended the term of the Plan by an additional three years such that the Retention Plan will expire on September 30, 2023. The purpose of the Retention Plan is to mitigate some of the risk that exists for executives working in an environment where GSI Technology could be acquired or the subject of another transaction that would result in a change in its control. The severance benefits provided by the Retention Plan are intended to encourage the continued dedication of our executive officers and key employees during a period of unrest, notwithstanding a possible change in control. The change in control arrangements are also intended to mitigate potential disincentives to the consideration of a transaction that would result in a change in control, particularly where the services of the participants may not be required by a potential acquirer.

The Retention Plan and amounts potentially payable thereunder are described in more detail below under "Potential Payments Upon Change of Control."

Inter-Relationship of Components of Compensation Packages

The Compensation Committee has adopted a policy that the aggregate compensation of our executive officers (composed of base compensation, variable cash compensation and equity awards) should approximate the median aggregate compensation paid by our peer companies to officers performing comparable functions. Except for this policy, the various components of our executive officers' compensation generally are not inter-related. Adjustments to our executive officers' base compensation are primarily based on our financial performance, our annual company-wide compensation survey and review of peer company

compensation levels. As we have relied on long-term equity incentives for a portion of our total compensation package, option grants for our executive officers are generally considered each year. If the value of options that are granted in one year is reduced due to a reduction in the value of the underlying common stock, the size of the option grants for the next year are not affected. Similarly, if the value of previously granted options increases significantly, the amount of compensation to be awarded for the next year is not affected. While the Compensation Committee has discretion to make exceptions to existing compensation arrangements, it has not approved any exceptions to such arrangements with regard to any named executive officers.

Other Benefits

Our executive officers are eligible to participate in all of our employee benefit plans, such as our medical, dental, vision, group life, disability, and accidental death and dismemberment insurance and our simplified employee pension plan, in each case on the same basis as our other employees. Aside from a \$5,400 car allowance provided to Mr. Lasserre, there were no special benefits or perquisites provided to any named executive officer in fiscal 2021.

Accounting for Executive Compensation

We account for equity compensation paid to our employees under authorization guidance for stock based compensation which requires us to measure and record an expense over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is incurred.

Tax Considerations

We intend to consider the impact of Section 162(m) of the Internal Revenue Code in determining the mix of elements of future executive compensation. This section limits the deductibility of non-performance based compensation paid to each of our named executive officers (other than our Chief Financial Officer) to \$1 million annually. The stock options granted to our executive officers have been intended to qualify as performance-based compensation exempt from the limitation on deductibility. As a result of changes in December 2017 to federal tax laws, we expect that stock options granted or other compensation provided under arrangements entered into or materially modified after November 2, 2017 generally will not be deductible to the extent they result in compensation to certain executive officers that exceeds \$1 million in any one year for any such officer. Due to uncertainties as to the application and interpretation of Section 162(m), including the scope of the transition relief under the legislation repealing the exemption the Section 162(m) deduction limit, no assurance can be given that compensation intended to satisfy the requirements for exemption in fact will do so. Salaries and bonuses do not qualify as performance-based compensation for purposes of Section 162(m). ***Other Compensation-Related Policies***

Our insider trading policy applies to shares of our common stock held by our directors, officers and other employees, including shares issued pursuant to equity-based awards. The policy prohibits our directors, executive officers and other employees from, among other things:

- engaging in short sales of our stock;
- engaging in transactions in derivative securities involving our stock;
- hedging their ownership position in our stock; and
- holding our stock in a margin account or pledging our stock as collateral for a loan.

Compensation Committee Report

We, the Compensation Committee of the Board of Directors of GSI Technology, Inc., have reviewed the Compensation Discussion and Analysis contained in this proxy statement and discussed it with management. Based on such review and discussions, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in GSI Technology, Inc.'s Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

THE COMPENSATION COMMITTEE

Elizabeth Cholawsky (Chair)
Jack Bradley
Haydn Hsieh
Ruey L. Lu

Summary Compensation Table

The following table sets forth information concerning the compensation earned during the fiscal years ended March 31, 2021, 2020 and 2019 by our Chief Executive Officer, our Chief Financial Officer, and our three other most highly-compensated executive officers, determined as of March 31, 2021:

Name and Principal Position	Year	Salary (\$)	Option Awards \$(¹)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Lee-Lean Shu	2021	431,912	224,440	62,500 ⁽²⁾	—	718,852
President and Chief	2020	431,912	290,420	120,584 ⁽³⁾	—	842,916
Executive Officer	2019	419,333	241,830	385,334 ⁽⁴⁾	—	1,046,497
Douglas M. Schirle	2021	306,593	89,776	31,250 ⁽⁵⁾	—	427,619
Chief Financial Officer	2020	306,593	116,168	60,292 ⁽⁶⁾	—	483,053
	2019	297,663	96,732	192,667 ⁽⁷⁾	—	587,062
Didier Lasserre	2021	322,712	89,776	31,250 ⁽⁵⁾	5,400 ⁽⁸⁾	449,138
Vice President, Sales	2020	322,712	116,168	60,292 ⁽⁶⁾	5,400 ⁽⁸⁾	504,572
	2019	313,313	96,732	192,667 ⁽⁷⁾	5,400 ⁽⁸⁾	608,112
Robert Yau	2021	285,870	89,776	31,250 ⁽⁵⁾	—	406,896
Vice President, Engineering	2020	285,870	116,168	60,292 ⁽⁶⁾	—	462,330
	2019	283,040	96,732	192,667 ⁽⁷⁾	—	572,439
Ping Wu	2021	275,052	67,332	31,250 ⁽⁵⁾	—	373,634
Vice President, US Operations	2020	275,052	87,126	60,292 ⁽⁶⁾	—	422,470
	2019	267,041	72,549	192,667 ⁽⁷⁾	—	532,257

- (1) As required by SEC rules, amounts shown in the column entitled "Option Awards" present the aggregate grant date fair value of option grants made each year computed in accordance with authoritative guidance. These amounts do not reflect whether the recipient has actually realized or will realize a financial benefit from the option award. The assumptions used with respect to the valuation of option grants are set forth in Note 11 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021. Under generally accepted accounting principles, compensation expense with respect to option awards granted to our employees and directors is generally recognized over the vesting periods applicable to the awards.
- (2) Earned under the 2021 Variable Compensation Plan, of which \$37,500 was paid in May 2021 and \$12,500 will be vested and payable on the last day of April 2022 and April 2023.
- (3) Earned under the 2020 Variable Compensation Plan, of which \$72,350 was paid in May 2020, \$24,117 was paid in May 2021 and \$24,117 will be vested and payable on the last day of April 2022.

- (4) Earned under the 2019 Variable Compensation Plan, of which \$231,200 was paid in May 2019, \$77,067 was paid in May 2020 and \$77,067 was paid in May 2021.
- (5) Earned under the 2021 Variable Compensation Plan, of which \$18,750 was paid in May 2021 and \$6,250 will be vested and payable on the last day of April 2022 and April 2023.
- (6) Earned under the 2020 Variable Compensation Plan, of which \$36,176 was paid in May 2020 and \$12,058 was paid in May 2021 and \$12,058 will be vested and payable on the last day of April 2022.
- (7) Earned under the 2019 Variable Compensation Plan, of which \$115,601 was paid in May 2019, 38,533 was paid in May 2020 and \$38,533 was paid in May 2021.
- (8) Represents Mr. Lasserre's car allowance of \$5,400.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to plan-based awards granted during the fiscal year ended March 31, 2021 to our named executive officers:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			All Other Option Awards: Number of Securities	Exercise or Base Price of Option	Grant Date Fair Value of Option
		Threshold (\$)	Target (\$)	Maximum (\$)	Underlying Options (#)	Awards (\$)	Awards (\$) ⁽²⁾
Lee-Lean Shu	8/3/20	—	250,000	500,000	100,000 ⁽³⁾	5.83	224,440
Douglas M. Schirle	8/3/20	—	125,000	250,000	40,000 ⁽⁴⁾	5.83	89,776
Didier Lasserre	8/3/20	—	125,000	250,000	40,000 ⁽⁵⁾	5.83	89,776
Robert Yau	8/3/20	—	125,000	250,000	40,000 ⁽⁶⁾	5.83	89,776
Ping Wu	8/3/20	—	125,000	250,000	30,000 ⁽⁷⁾	5.83	67,332

- (1) Represents the range of potential cash bonuses payable under the 2021 Variable Compensation Plan, as more fully described above under "Compensation Discussion and Analysis — 2021 Variable Compensation Plan." There was no threshold or minimum amount payable under the Plan.
- (2) Reflects the grant date fair value of each equity award in accordance with authoritative guidance. The assumptions used in the calculation of this amount are included in Note 11 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended March 31, 2021.
- (3) Option granted pursuant to the 2016 Equity Incentive Plan. This option vests 100% on April 13, 2024.
- (4) Option granted pursuant to the 2016 Equity Incentive Plan. This option vests 100% on June 3, 2024.
- (5) Option granted pursuant to the 2016 Equity Incentive Plan. This option vests 100% on May 3, 2024.
- (6) Option granted pursuant to the 2016 Equity Incentive Plan. This option vests 100% on April 13, 2024.
- (7) Option granted pursuant to the 2016 Equity Incentive Plan. This option vests 100% on June 5, 2024.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information with respect to the value of all unexercised options previously awarded to our named executive officers as of March 31, 2021:

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Lee-Lean Shu	62,190	—	6.54	5/9/21
	100,000	—	4.17	5/7/22
	100,000	—	5.76	5/6/23
	25,000	—	6.86	7/29/23
	100,000	—	5.23	8/11/24
	100,000	—	4.98	8/3/25
	100,000	—	4.99	8/1/26
	—	100,000 ⁽¹⁾	7.26	7/31/27
	—	100,000 ⁽²⁾	6.70	7/30/28
	—	100,000 ⁽³⁾	8.30	7/29/29
	—	100,000 ⁽⁴⁾	5.83	8/3/30
	—	—	—	—
Douglas Schirle	40,000	—	6.28	8/1/21
	40,000	—	4.81	7/30/22
	40,000	—	6.86	7/29/23
	40,000	—	5.23	8/11/24
	40,000	—	4.98	8/3/25
	40,000	—	4.99	8/1/26
	—	40,000 ⁽⁵⁾	7.26	7/31/27
	—	40,000 ⁽⁶⁾	6.70	7/30/28
	—	40,000 ⁽⁷⁾	8.30	7/29/29
	—	40,000 ⁽⁸⁾	5.83	8/3/30
	—	—	—	—
	—	—	—	—
Didier Lasserre	30,000	—	4.92	1/30/22
	30,000	—	6.45	2/4/23
	15,000	—	6.86	7/29/23
	30,000	—	5.23	8/11/24
	30,000	—	4.98	8/3/25
	30,000	—	4.99	8/1/26
	—	30,000 ⁽⁹⁾	7.26	7/31/27
	—	40,000 ⁽¹⁰⁾	6.70	7/30/28
	—	40,000 ⁽¹¹⁾	8.30	7/29/29
	—	40,000 ⁽¹²⁾	5.83	8/3/30
	—	—	—	—
	—	—	—	—
Robert Yau	20,000	—	6.54	5/9/21
	40,000	—	4.17	5/7/22
	40,000	—	5.76	5/6/23
	10,000	—	6.86	7/29/23
	40,000	—	5.23	8/11/24
	40,000	—	4.98	8/3/25
	40,000	—	4.99	8/1/26
	—	—	—	—

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
	—	40,000 ⁽¹⁾	7.26	7/31/27
	—	40,000 ⁽²⁾	6.70	7/30/28
	—	40,000 ⁽³⁾	8.30	7/29/29
	—	40,000 ⁽⁴⁾	5.83	8/3/30
Ping Wu	30,000	—	4.90	10/31/21
	30,000	—	5.59	10/31/22
	22,500	—	6.86	7/29/23
	30,000	—	5.23	8/11/24
	30,000	—	4.98	8/3/25
	30,000	—	4.99	8/1/26
	—	30,000 ⁽¹³⁾	7.26	7/31/27
	—	30,000 ⁽¹⁴⁾	6.70	7/30/28
	—	30,000 ⁽¹⁵⁾	8.30	7/29/29
	—	30,000 ⁽¹⁶⁾	5.83	8/3/30

(1) Option vested 100% on April 13, 2021.

(2) Option vests 100% on April 13, 2022.

(3) Option vests 100% on April 13, 2023.

(4) Option vests 100% on April 13, 2024.

(5) Option vested 100% on June 3, 2021.

(6) Option vests 100% on June 3, 2022.

(7) Option vests 100% on June 3, 2023.

(8) Option vests 100% on June 3, 2024.

(9) Option vested 100% on May 3, 2021.

(10) Option vests 100% on May 3, 2022.

(11) Option vests 100% on May 3, 2032.

(12) Option vests 100% on May 3, 2024.

(13) Option vested 100% on June 5, 2021.

(14) Option vests 100% on June 5, 2022.

(15) Option vests 100% on June 5, 2023.

(16) Option vests 100% on June 5, 2024.

Option Exercises and Stock Vested During Last Fiscal Year

The following table sets forth information regarding options exercised by our named executive officers during the fiscal year ended March 31, 2021.

Fiscal 2021 Option Exercises

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾
Lee-Lean Shu	137,810	224,336
Robert Yau	60,000	69,964

- (1) The value realized on exercise represents the difference between the exercise price and the sale price of the shares on the date of exercise, if the shares were sold, or the difference between the exercise price and the closing price on the day of exercise for shares exercised and held.

We have not made any direct grants of stock awards to any of our employees. Accordingly, there was no vesting of restricted stock held by any named executive officers during the fiscal year ended March 31, 2021.

Potential Payments Upon Change of Control

Our executive officers, including our named executive officers, are eligible to participate in our Executive Retention and Severance Plan (the “Retention Plan”). Participants in the Retention Plan are entitled to receive severance benefits upon an “involuntary termination” of their employment other than for “cause” or a voluntary termination for “good reason” during a period beginning two months prior to and ending two years following a “change in control,” as such terms are defined in the Retention Plan.

Benefits payable under the Retention Plan consist of the following (in addition to all other compensation and benefits accrued at the time of the participant’s termination):

- A lump sum cash payment equal to: (i) the greater of 18 months of base salary or one month’s salary for each full or partial year of service for the Chief Executive Officer; (ii) the greater of 12 months of base salary or one month’s salary for each full or partial year of service for other executive officers; and (iii) 12 months of base salary or such lesser amount as the Compensation Committee may specify for other participants;
- a lump sum cash payment of all bonuses earned by the participant in prior fiscal years but not vested and payable at the time of termination;
- a lump sum cash payment of the pro rata portion of the participant’s bonus or anticipated bonus for the fiscal year in which the termination occurs (calculated as provided in the Plan) and 150% of such amount in the case of the Chief Executive Officer;
- Medical, dental, vision and life insurance benefits for the same period covered by the participant’s base salary benefit; and
- 100% acceleration of the participant’s equity awards assumed by an acquirer in connection with a change in control, effective upon termination (100% acceleration effective upon the change in control for awards not assumed).

Benefits under the Retention Plan are subject to withholding of applicable income and employment taxes. Participants are not entitled to any tax “gross up” in respect of excise taxes, if any, that might arise under the “parachute payment” provisions of the Internal Revenue Code and may be subject to a reduction in benefits if any such excise tax were applicable and the reduced benefit would maximize the net after-tax payment to the participant.

No severance or change of control payments were made to any of our executive officers in fiscal 2021.

The following table summarizes amounts that would have been payable to our named executive officers upon a termination of their employment qualifying for benefits under the Retention Plan, assuming that such termination had occurred on March 31, 2021:

Name	Cash Severance Payment		Continued Health Benefits ⁽¹⁾	Acceleration of Stock Options ⁽²⁾	Total
	Based on Salary	Based on Bonus			
Lee-Lean Shu	\$971,802	\$219,050	\$64,938	\$86,000	\$1,341,790
Douglas M. Schirle	562,087	93,900	74,171	34,400	764,558
Didier Lasserre	645,424	93,900	80,914	34,400	854,638
Robert Yau	643,208	93,900	64,938	34,400	836,446
Ping Wu	504,262	93,900	74,171	25,800	698,133

- (1) Represents the aggregate premium payments required to provide continued health insurance coverage under COBRA, based on the officer's health insurance coverage in effect as of March 31, 2021.
- (2) The value of the acceleration of stock options is calculated by multiplying (x) the number of shares subject to acceleration by (y) the difference between the fair market value of a share of our common stock on March 31, 2021 (\$6.69) and the per share exercise price of the unvested shares subject to acceleration.

CEO Compensation Pay Ratio

We believe our executive compensation program must be internally consistent and equitable to motivate our employees to create stockholder value. We monitor the relationship between the compensation of our executive officers and the compensation of our non-managerial employees. For the year ended March 31, 2021, the total compensation of Lee-Lean Shu, our President and Chief Executive Officer, of \$718,852, as shown in the Summary Compensation Table above, was approximately 6.6 times the total compensation of the median employee calculated in the same manner of \$109,403.

Our CEO to median employee pay ratio is calculated in accordance with SEC's rules pursuant to Item 402(u) of Regulation S-K. We identified the median employee by examining the 2021 total compensation for all of our employees, excluding our CEO, who were employed by us on March 31, 2021, the last day of our payroll year. We included all employees, whether employed on a full-time or part-time basis. We did not make any assumptions, adjustments, or estimates with respect to total compensation. We annualized the compensation for any full-time employees that were not employed by us for all of 2021.

Compensation of Directors

Our policy for the compensation of non-employee directors provides that non-employee directors are entitled to receive annual cash retainers as follows:

Board.	\$40,000
Lead Director	\$20,000
Audit Committee:	
• Chair	\$20,000
• Other Members	\$ 7,500
Compensation Committee:	
• Chair	\$10,000
• Other Members	\$ 5,000
Nominating and Governance Committee:	
• Chair	\$ 7,500
• Other Members	\$ 3,000

Pursuant to the terms of our option grant policy, each non-employee director receives an option to purchase a number of shares of our common stock having a fair market value equal to the aggregate amount of the annual cash retainer payable to such director for service on the Board and its committees.

The table below summarizes the compensation we paid to our non-employee directors for the fiscal year ended March 31, 2021.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽¹⁾⁽²⁾⁽³⁾	Total (\$)
Jack A. Bradley	59,583	24,413	83,996
Elizabeth Cholawsky	60,250	24,616	84,866
Haydn Hsieh	52,500	21,362	73,862
Kim Le	21,819 ⁽⁴⁾	20,548	42,367
Ruey L. Lu	48,000	19,529	67,529
Arthur O. Whipple ⁽⁵⁾	83,000	33,772	116,772

- (1) Valuation based on the dollar amount recognized during fiscal 2021 for financial statement reporting purposes pursuant to authoritative guidance, giving effect to service-based vesting conditions, but disregarding the estimate of forfeitures related to such vesting conditions. These amounts do not reflect whether the recipient has actually realized or will realize a financial benefit from the option award. The assumptions used with respect to the valuation of option grants are set forth in Note 11 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021.
- (2) On November 2, 2020, Mr. Bradley, Dr. Cholawsky, Mr. Hsieh, Ms. Le, Mr. Lu and Mr. Whipple were granted options to purchase 9,708, 9,789, 8,495, 8,171, 7,766 and 13,430 shares, respectively, that will be fully vested on August 15, 2021. The grant date fair value of each of these options was \$24,413, \$24,616, \$21,362, \$20,548, \$19,529 and \$33,772, respectively.
- (3) As of March 31, 2021, each non-employee director had the following number of shares underlying outstanding options: Mr. Bradley: 59,580; Dr. Cholawsky: 16,598; Mr. Hsieh: 69,783; Ms. Le: 8,171; Mr. Lu: 66,199; and Mr. Whipple: 105,056.
- (4) Reflects fees earned by Ms. Le from October 26, 2020, the date Ms. Le joined the Board of Directors, through the end of the fiscal year on March 31, 2021.
- (5) Mr. Whipple will not be standing for re-election at the annual meeting.

Equity Compensation Plan Information

We currently maintain three compensation plans that provide for the issuance of our common stock to officers and other employees, directors and consultants. These consist of the 2007 Equity Incentive Plan, the 2016 Equity Incentive Plan (the “2016 Plan”) and the 2007 Employee Stock Purchase Plan (the “Purchase Plan”), each of which has been approved by stockholders. The following table sets forth information regarding outstanding options and shares reserved for future issuance under the foregoing plans as of March 31, 2021:

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by stockholders	8,432,877	\$6.17	2,844,560 ⁽¹⁾⁽²⁾

-
- (1) Includes 1,512,998 shares available for future issuance under the Purchase Plan.
 - (2) A total of 6,000,000 shares of common stock have been authorized and reserved for issuance under the 2016 Plan, of which 1,331,562 were available for grant as of March 31, 2021. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2016 Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the 2016 Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations. Only the net number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2016 Plan.

RELATED PERSON TRANSACTIONS

Procedures for Approval of Related Person Transactions

Pursuant to our Code of Business Conduct and Ethics and the Audit Committee Charter, our executive officers, directors, and principal stockholders, including their immediate family members and affiliates, are prohibited from entering into a related party transaction with us without the prior consent of our Audit Committee which reviews and approves any related-party transactions.

We have entered into indemnification agreements with our officers and directors containing provisions that may require us, among other things, to indemnify our officers and directors against certain liabilities that may arise by reason of their status or service as officers or directors and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

Other Transactions

For information regarding the grant of stock options to our directors and executive officers, please see “Executive Compensation — Compensation of Directors” and “Executive Compensation — Grants of Plan-Based Awards, — Outstanding Equity Awards at Fiscal Year-End and — Potential Payments Upon Change of Control.”

PRINCIPAL STOCKHOLDERS AND STOCK OWNERSHIP BY MANAGEMENT

The following table sets forth, as of June 30, 2021 certain information with respect to the beneficial ownership of GSI Technology's common stock by (i) each stockholder known by GSI Technology to be the beneficial owner of more than 5% of GSI Technology's common stock, (ii) each director and director nominee of GSI Technology, (iii) each executive officer named in the Summary Compensation Table, and (iv) all directors and executive officers of GSI Technology as a group:

Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned ⁽²⁾	Percentage of Shares Beneficially Owned ⁽³⁾
Principal Stockholders:		
Jing Rong Tang ⁽⁴⁾ c/o HolyStone Enterprises Co., Ltd. 1FL No. 62, Sec 2 Huang Shan Road Taipei, Taiwan, R.O.C	1,514,141	6.2
Roumell Asset Management, LLC and James C. Roumell ⁽⁵⁾ 2 Wisconsin Circle, Suite 640 Chevy Chase, MD 20815	1,347+,270	5.6
Directors, Named Executive Officers and certain Executive Officers:		
Lee-Lean Shu ⁽⁶⁾	3,234,459	13.0
Jack A. Bradley ⁽⁷⁾	62,580	*
Elizabeth Cholawsky ⁽⁸⁾	16,598	*
Haydn Hsieh ⁽⁹⁾	81,900	*
Kim Le ⁽¹⁰⁾	8,171	*
Ruey L. Lu ⁽¹¹⁾	76,199	*
Arthur O. Whipple ⁽¹²⁾	141,056	*
Robert Yau ⁽¹³⁾	1,271,439	5.2
Didier Lasserre ⁽¹⁴⁾	475,367	2.0
Douglas M. Schirle ⁽¹⁵⁾	334,625	1.4
Ping Wu ⁽¹⁶⁾	345,105	1.4
Bor-Tay Wu ⁽¹⁷⁾	1,162,500	4.8
Barbara Nelson ⁽¹⁸⁾	0	*
All executive officers and directors as a group (17 persons) ⁽¹⁹⁾	8,617,874	35.1

* Less than 1.0%

- (1) The address for those individuals and entities not otherwise indicated is 1213 Elko Drive, Sunnyvale, California 94089. Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the other footnotes to this table.
- (2) Under the rules of the SEC, a person is deemed to be the beneficial owner of shares that can be acquired by such person within 60 days upon the exercise of options.
- (3) Calculated on the basis of 24,166,062 shares of common stock outstanding as of June 30, 2021, provided that any additional shares of common stock that a stockholder has the right to acquire within 60 days after June 30, 2021 are deemed to be outstanding for the purpose of calculating that stockholder's percentage beneficial ownership.
- (4) Based on information contained in a Schedule 13G/A filed with the SEC on February 2, 2021. Includes: 47,000 shares held by HolyStone Enterprises Co., Ltd., of which Mr. Tang is Chief Executive

Officer; and 457,141 shares held by Koowin Co., Ltd., of which Mr. Tang is a director. Mr. Tang disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

- (5) Based on information contained in a Schedule 13G filed with the SEC on February 12, 2021. Includes: 1,293,220 shares deemed to be held by Roumell Asset Management, LLC (“RAM”) solely as a result of its discretionary power over such shares as investment adviser to the Roumell Opportunistic Value Fund (the “Fund”); 45,650 shares deemed to be held by RAM solely as a result of its discretionary power over such shares as investment adviser to its clients; and 8,400 shares held directly by James C. Roumell (“Roumell”). Roumell is President of RAM and holds a controlling percentage of its outstanding voting securities and, as a result of his position with and ownership of securities of RAM, Roumell may be deemed the beneficial owner of the shares beneficially owned by RAM.
- (6) Includes: 625,000 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021; 13,600 shares held by Mr. Shu’s children; 530,939 shares held by Mr. Shu’s spouse; and 82,503 shares issuable upon exercise of options held by his spouse that are exercisable within 60 days of June 30, 2021.
- (7) Includes 59,580 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (8) Includes 16,598 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (9) Includes 60,900 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (10) Includes 8,171 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (11) Includes 66,199 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (12) Includes 105,056 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021. Mr. Whipple will not be standing for re-election at the annual meeting.
- (13) Includes 250,000 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021 and 4,000 shares held by Mr. Yau’s spouse.
- (14) Includes 195,000 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (15) Includes 280,000 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (16) Includes 202,500 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (17) Includes 250,000 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.
- (18) Ms. Nelson is a new director nominee standing for election for the first time.
- (19) Includes an aggregate of 2,967,096 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2021.

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

Stockholder proposals may be included in our proxy materials for an annual meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in applicable SEC rules and our bylaws. For a stockholder proposal to be included in our proxy materials for the 2022 annual meeting in accordance with SEC rules and our bylaws, the proposal must be received at our principal executive offices, addressed to the Secretary, not later than March 21, 2022.

Submitting a stockholder proposal does not guarantee that we will include it in our proxy statement. Our Nominating and Governance Committee reviews all stockholder proposals and makes recommendations to the board for actions on such proposals. For information on qualifications of director nominees considered by our Nominating and Governance committee, see the “Corporate Governance” section of this proxy statement.

TRANSACTION OF OTHER BUSINESS

At the date of this Proxy Statement, the Board of Directors knows of no other business that will be conducted at the 2021 Annual Meeting other than as described in this Proxy Statement. If any other matter or matters are properly brought before the meeting, or any adjournment or postponement of the meeting, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

ANNUAL REPORT ON FORM 10-K

A copy of our annual report on Form 10-K (without exhibits) for the fiscal year ended March 31, 2021 is being distributed along with this proxy statement. We refer you to such report for financial and other information about us, but such report is not incorporated in this proxy statement and is not deemed to be a part of the proxy solicitation material. It is also available on our website at www.gsitechnology.com. In addition, the report (with exhibits) is available at the SEC’s website at www.sec.gov.



Robert Yau
Secretary

July 19, 2021

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GSI TECHNOLOGY, INC.
2016 EQUITY INCENTIVE PLAN
(Amended and Restated August [], 2021)

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GSI Technology, Inc.
2016 Equity Incentive Plan
(Amended and Restated August [], 2021)

ARTICLE I

Establishment, Purpose and Term of Plan.

Section 1.1 **Establishment.** The GSI Technology, Inc. 2016 Equity Incentive Plan (the “*Initial Plan*”) was initially established effective as of August 25, 2016 (the “*Initial Plan Effective Date*”), the date of its initial approval by the stockholders of the Company. The Initial Plan is hereby amended and restated in its entirety (the “*Plan*”) effective as of August [], 2021, the date of its approval by the stockholders of the Company (the “*Effective Date*”).

Section 1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards and Other Stock-Based Awards.

Section 1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee; provided, however, that all Awards shall be granted, if at all, within ten (10) years from the Effective Date.

ARTICLE II

Definitions and Construction.

Section 2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) “*Affiliate*” means (i) a parent entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) a subsidiary entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the terms “parent,” “subsidiary,” “control” and “controlled by” shall have the meanings assigned such terms for the purposes of registration of securities on Form S-8 under the Securities Act.

(b) “*Award*” means any Option, Stock Appreciation Right, Restricted Stock Purchase Right, Restricted Stock Bonus, Restricted Stock Unit, Performance Share, Performance Unit, Cash-Based Award or Other Stock-Based Award granted under the Plan.

(c) “*Award Agreement*” means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions applicable to an Award.

(d) “*Board*” means the Board of Directors of the Company.

(e) “*Cash-Based Award*” means an Award denominated in cash and granted pursuant to Section 11.

(f) “*Cashless Exercise*” means a Cashless Exercise as defined in Section 6.3(b)(i).

(g) “*Cause*” means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between a Participant and a Participating Company applicable to an Award, any of the following: (i) the Participant’s theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Participating Company documents or records; (ii) the Participant’s material failure to abide by a Participating Company’s code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant’s unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of a Participating Company (including, without limitation, the Participant’s improper use or disclosure of a Participating Company’s confidential or proprietary

information); (iv) any intentional act by the Participant which has a material detrimental effect on a Participating Company's reputation or business; (v) the Participant's repeated failure to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure; (vi) any material breach by the Participant of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant's conviction (including any plea of guilty or *nolo contendere*) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant's ability to perform his or her duties with a Participating Company.

(h) "**Change in Control**" means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between the Participant and a Participating Company applicable to an Award, the occurrence of any one or a combination of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a "**Transaction**") in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(dd)(iii), the entity to which the assets of the Company were transferred (the "**Transferee**"), as the case may be; or

(iii) a date specified by the Committee following approval by the stockholders of a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(h) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple events described in subsections (i), (ii) and (iii) of this Section 2.1(h) are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

(i) "**Code**" means the Internal Revenue Code of 1986, as amended, and any applicable regulations and administrative guidelines promulgated thereunder.

(j) "**Committee**" means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(k) “**Company**” means GSI Technology, Inc., a Delaware corporation, and any successor corporation thereto.

(l) “**Consultant**” means a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on Form S-8 under the Securities Act.

(m) “**Director**” means a member of the Board.

(n) “**Disability**” means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between the Participant and a Participating Company applicable to an Award, the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

(o) “**Dividend Equivalent Right**” means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(p) “**Employee**” means any person treated as an employee (including an Officer or a Director who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a Director nor payment of a Director’s fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of an individual’s rights, if any, under the terms of the Plan as of the time of the Company’s determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual’s status as an Employee.

(q) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(r) “**Fair Market Value**” means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as shall be determined by the Committee, in its discretion.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value of a share of Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or quotation system, or on any other basis consistent with the requirements of Section 409A. The Committee may also determine the Fair Market Value upon the average selling price of the Stock during a specified period that is within thirty (30) days before or thirty (30) days after such date, provided that, with respect to the grant of an Option or SAR, the commitment to grant such Award based on such valuation method must be irrevocable before

the beginning of the specified period. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

(iii) If, on such date, the Stock is not listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and in a manner consistent with the requirements of Section 409A.

(s) **“Full Value Award”** means any Award settled in Stock, other than (i) an Option, (ii) a Stock Appreciation Right, or (iii) a Restricted Stock Purchase Right or an Other Stock-Based Award under which the Company will receive monetary consideration equal to the Fair Market Value (determined on the effective date of grant) of the shares subject to such Award.

(t) **“Incentive Stock Option”** means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(u) **“Incumbent Director”** means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but excluding a director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(v) **“Insider”** means an Officer, a Director or other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(w) **“Net Exercise”** means a Net Exercise as defined in Section 6.3(b)(iii).

(x) **“Nonemployee Director”** means a Director who is not an Employee.

(y) **“Nonemployee Director Award”** means any Award granted to a Nonemployee Director as compensation for service as a Non-Employee Director.

(z) **“Nonstatutory Stock Option”** means an Option not intended to be (as set forth in the Award Agreement) or which does not qualify as an incentive stock option within the meaning of Section 422(b) of the Code.

(aa) **“Officer”** means any person designated by the Board as an officer of the Company.

(bb) **“Option”** means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(cc) **“Other Stock-Based Award”** means an Award denominated in shares of Stock and granted pursuant to Section 11.

(dd) **“Ownership Change Event”** means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(ee) **“Parent Corporation”** means any present or future “parent corporation” of the Company, as defined in Section 424(e) of the Code.

(ff) **“Participant”** means any eligible person who has been granted one or more Awards.

(gg) **“Participating Company”** means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(hh) “**Participating Company Group**” means, at any point in time, the Company and all other entities collectively which are then Participating Companies.

(ii) “**Performance Award**” means an Award of Performance Shares or Performance Units.

(jj) “**Performance Award Formula**” means, for any Performance Award, a formula or table established by the Committee pursuant to Section 10.3 which provides the basis for computing the value of a Performance Award at one or more levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

(kk) “**Performance Goal**” means a performance goal established by the Committee pursuant to Section 10.3.

(ll) “**Performance Period**” means a period established by the Committee pursuant to Section 10.3 at the end of which one or more Performance Goals are to be measured.

(mm) “**Performance Share**” means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Share, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(nn) “**Performance Unit**” means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(oo) “**Predecessor Plan**” means the Company’s 2007 Equity Incentive Plan.

(pp) “**Restricted Stock Award**” means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.

(qq) “**Restricted Stock Bonus**” means Stock granted to a Participant pursuant to Section 8.

(rr) “**Restricted Stock Purchase Right**” means a right to purchase Stock granted to a Participant pursuant to Section 8.

(ss) “**Restricted Stock Unit**” means a right granted to a Participant pursuant to Section 9 to receive on a future date or occurrence of a future event a share of Stock or cash in lieu thereof, as determined by the Committee.

(tt) “**Rule 16b-3**” means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(uu) “**SAR**” or “**Stock Appreciation Right**” means a right granted to a Participant pursuant to Section 7 to receive payment, for each share of Stock subject to such Award, of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the Award over the exercise price thereof.

(vv) “**Section 409A**” means Section 409A of the Code.

(ww) “**Section 409A Deferred Compensation**” means compensation provided pursuant to an Award that constitutes nonqualified deferred compensation within the meaning of Section 409A.

(xx) “**Securities Act**” means the Securities Act of 1933, as amended.

(yy) “**Service**” means a Participant’s employment or service with the Participating Company Group, whether as an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service or a change in the Participating Company for which the Participant renders Service, provided that there is no interruption or termination of the Participant’s Service. Furthermore, a Participant’s Service shall not be deemed to have been interrupted or terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, unless otherwise provided by the Committee, if any such leave taken by a Participant exceeds ninety (90) days, then on the ninety-first (91st) day following the commencement

of such leave the Participant's Service shall be deemed to have terminated, unless the Participant's right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant's Award Agreement. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of and reason for such termination.

(zz) “**Stock**” means the common stock of the Company, as adjusted from time to time in accordance with Section 4.3.

(aaa) “**Stock Tender Exercise**” means a Stock Tender Exercise as defined in Section 6.3(b)(ii).

(bbb) “**Subsidiary Corporation**” means any present or future “subsidiary corporation” of the Company, as defined in Section 424(f) of the Code.

(ccc) “**Ten Percent Owner**” means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(ddd) “**Trading Compliance Policy**” means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company's equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

(eee) “**Vesting Conditions**” mean those conditions established in accordance with the Plan prior to the satisfaction of which an Award or shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant's monetary purchase price, if any, for such shares upon the Participant's termination of Service or failure of a performance condition to be satisfied.

Section 2.2 Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

ARTICLE III

Administration.

Section 3.1 Administration by the Committee. The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

Section 3.2 Authority of Officers. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

Section 3.3 Administration with Respect to Insiders. With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

Section 3.4 Powers of the Committee. In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

- (a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock, units or monetary value to be subject to each Award;
- (b) to determine the type of Award granted;
- (c) to determine the Fair Market Value of shares of Stock or other property;
- (d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Measures, Performance Period, Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of expiration of any Award, (vii) the effect of any Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;
- (e) to determine whether an Award will be settled in shares of Stock, cash, other property or in any combination thereof;
- (f) to approve one or more forms of Award Agreement;
- (g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;
- (h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;
- (i) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws of, or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose residents may be granted Awards; and
- (j) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

Section 3.5 Option or SAR Repricing. Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, the Committee shall not approve a program providing for either (a) the cancellation of outstanding Options or SARs having exercise prices per share greater than the then Fair Market Value of a share of Stock ("*Underwater Awards*") and the grant in substitution therefor of new Options or SARs having a lower exercise price, Full Value Awards or payments in cash, or (b) the amendment of outstanding Underwater Awards to reduce the exercise price thereof. This Section shall not be construed to apply to (i) "issuing or assuming a stock option in a transaction to which Section 424(a) applies," within the meaning of Section 424 of the Code, (ii) adjustments pursuant to the assumption of or substitution for an Option or SAR in a manner that would comply with Section 409A, or (iii) an adjustment pursuant to Section 4.3.

Section 3.6 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or

employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

ARTICLE IV

Shares Subject to Plan.

Section 4.1 Maximum Number of Shares Issuable. Subject to adjustment as provided in Sections 4.2 and 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan (inclusive of the number of share of Stock authorized for issuance under the Initial Plan) shall be equal to the sum of:

- (a) Four Million (4,000,000) shares of Stock; and
- (b) the six million (6,000,000) shares of Stock that remained available for the future grant of awards under the Predecessor Plan immediately prior to its termination as of the Initial Plan Effective Date; and
- (c) the number of shares of Stock subject to that portion of any option or other award outstanding pursuant to the Predecessor Plan as of the Initial Plan Effective Date which, on or after the Initial Plan Effective Date, expires or is terminated or canceled for any reason without having been exercised or settled in full; and
- (d) the number of shares of Stock acquired pursuant to the Predecessor Plan subject to forfeiture or repurchase by the Company for an amount not greater than the Participant's purchase price which, on or after the Initial Plan Effective Date, is so forfeited or repurchased.

Shares of Stock issuable under the Plan shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof.

Section 4.2 Share Counting. If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant's purchase price, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash or to the extent that shares are withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to Section 16.2. Upon payment in shares of Stock pursuant to the exercise of an SAR, the number of shares available for issuance under the Plan shall be reduced only by the number of shares actually issued in such payment. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net Exercise, the number of shares available for issuance under the Plan shall be reduced by the net number of shares for which the Option is exercised.

Section 4.3 Adjustments for Changes in Capital Structure. Subject to any required action by the stockholders of the Company and the requirements of Sections 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting regular, periodic

cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, the Award limits set forth in Section 5.3 and Section 5.4, and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "**New Shares**"), the Committee may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise or purchase price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number and the exercise or purchase price per share shall be rounded up to the nearest whole cent. In no event may the exercise or purchase price, if any, under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The Committee in its discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

Section 4.4 Assumption or Substitution of Awards. The Committee may, without affecting the number of shares of Stock reserved or available hereunder, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code.

ARTICLE V

Eligibility, Participation and Award Limitations.

Section 5.1 Persons Eligible for Awards. Awards may be granted only to Employees, Consultants and Directors.

Section 5.2 Participation in the Plan. Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

Section 5.3 Incentive Stock Option Limitations.

(a) **Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed ten million (10,000,000) shares (inclusive of the number of share of Stock authorized for issuance pursuant to the exercise of Incentive Stock Options under the Initial Plan). The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Sections 4.2 and 4.3.

(b) **Persons Eligible.** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an "**ISO-Qualifying Corporation**"). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option.

(c) **Fair Market Value Limitation.** To the extent that options designated as Incentive Stock Options (granted under all stock plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such options which exceeds such amount

shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise of the Option, shares issued pursuant to each such portion shall be separately identified.

Section 5.4 Award Limits. The following limits shall apply to the grant of any Award:

(a) **Options and SARs.** Subject to adjustment as provided in Section 4.3, no Employee shall be granted within any fiscal year of the Company one or more Options or Freestanding SARs which in the aggregate are for more than three hundred thousand (300,000) shares.

(b) **Restricted Stock Awards and Restricted Stock Unit Awards.** Subject to adjustment as provided in Section 4.3, no Employee shall be granted within any fiscal year of the Company one or more Restricted Stock Awards or Restricted Stock Unit Awards which in the aggregate are for more than one hundred thousand (100,000) shares.

(c) **Performance Awards.** Subject to adjustment as provided in Section 4.3, no Employee shall be granted in the aggregate (1) Performance Shares which could result in such Employee receiving more than fifty thousand (50,000) shares for each full fiscal year of the Company contained in the Performance Period for such Award, or (2) Performance Units which could result in such Employee receiving more than five hundred thousand dollars (\$500,000) for each full fiscal year of the Company contained in the Performance Period for such Award.

(d) **Cash-Based Awards and Other Stock-Based Awards.** Subject to adjustment as provided in Section 4.3, no Employee shall be granted in the aggregate (1) Cash-Based Awards in any fiscal year of the Company which could result in such Employee receiving more than five hundred thousand dollars (\$500,000) for each full fiscal year of the Company contained in the Performance Period for such Award, or (2) Other Stock-Based Awards in any fiscal year of the Company which could result in such Employee receiving more than fifty thousand (50,000) shares for each full fiscal year of the Company contained in the Performance Period for such Award.

Section 5.5 Nonemployee Director Award Limit. No Nonemployee Director shall be granted within any fiscal year of the Company one or more Nonemployee Director Awards pursuant to the Plan which in the aggregate are for more than a number of shares of Stock determined by dividing one hundred fifty thousand dollars (\$150,000) by the Fair Market Value of a share of Stock determined on the last trading day immediately preceding the date on which the applicable Nonemployee Director Award is granted. Notwithstanding any other provision of the Plan to the contrary, the aggregate grant date fair value (computed as of the date of grant in accordance with generally accepted accounting principles in the United States) of all Nonemployee Director Awards granted to any Nonemployee Director during any fiscal year of the Company, taken together with any cash compensation paid to such Nonemployee Director for Service as a Nonemployee Director during such fiscal year, shall not exceed \$300,000.

ARTICLE VI

Stock Options.

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

Section 6.1 Exercise Price. The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price less than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner that would qualify under the provisions of Section 409A or Section 424(a) of the Code.

Section 6.2 Exercisability and Term of Options. Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option and (c) no Option granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such Option (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, each Option shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

Section 6.3 Payment of Exercise Price.

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Committee and subject to the limitations contained in Section 6.3(b), by means of (1) a Cashless Exercise, (2) a Stock Tender Exercise or (3) a Net Exercise; (iii) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (iv) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) **Limitations on Forms of Consideration.**

(i) **Cashless Exercise.** A “Cashless Exercise” means the delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(ii) **Stock Tender Exercise.** A “Stock Tender Exercise” means the delivery of a properly executed exercise notice accompanied by a Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Company of whole shares of Stock owned by the Participant having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised. A Stock Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. If required by the Company, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for a period of time required by the Company (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(iii) **Net Exercise.** A “*Net Exercise*” means the delivery of a properly executed exercise notice followed by a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to a Participant upon the exercise of an Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued.

Section 6.4 *Effect of Termination of Service.*

(a) **Option Exercisability.** Subject to earlier termination of the Option as otherwise provided by this Plan and unless otherwise provided by the Committee, an Option shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate.

(i) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the “*Option Expiration Date*”).

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months (or such longer or shorter period provided by the Award Agreement) after the Participant's termination of Service.

(iii) **Termination for Cause.** Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

(iv) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing, other than termination of Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 14 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

Section 6.5 Transferability of Options. During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, an Option

shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act or, in the case of an Incentive Stock Option, only as permitted by applicable regulations under Section 421 of the Code in a manner that does not disqualify such Option as an Incentive Stock Option. An Option may not be transferred to a third-party financial institution for value without the approval of the stockholders.

ARTICLE VII

Stock Appreciation Rights.

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

Section 7.1 Types of SARs Authorized. SARs may be granted in tandem with all or any portion of a related Option (a “*Tandem SAR*”) or may be granted independently of any Option (a “*Freestanding SAR*”). A Tandem SAR may only be granted concurrently with the grant of the related Option.

Section 7.2 Exercise Price. The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR. Notwithstanding the foregoing, an SAR may be granted with an exercise price lower than the minimum exercise price set forth above if such SAR is granted pursuant to an assumption or substitution for another stock appreciation right in a manner that would qualify under the provisions of Section 409A of the Code.

Section 7.3 Exercisability and Term of SARs.

(a) **Tandem SARs.** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

(b) **Freestanding SARs.** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that (i) no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR and (ii) no Freestanding SAR granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such SAR (except in the event of such Employee’s death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of a Freestanding SAR, each Freestanding SAR shall terminate ten (10) years after the effective date of grant of the SAR, unless earlier terminated in accordance with its provisions.

Section 7.4 Exercise of SARs. Upon the exercise (or deemed exercise pursuant to Section 7.5) of an SAR, the Participant (or the Participant’s legal representative or other person who acquired the right to exercise the SAR by reason of the Participant’s death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value

of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made (a) in the case of a Tandem SAR, solely in shares of Stock in a lump sum upon the date of exercise of the SAR and (b) in the case of a Freestanding SAR, in cash, shares of Stock, or any combination thereof as determined by the Committee, in a lump sum upon the date of exercise of the SAR. When payment is to be made in shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, an SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant or as otherwise provided in Section 7.5.

Section 7.5 Deemed Exercise of SARs. If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

Section 7.6 Effect of Termination of Service. Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee, an SAR shall be exercisable after a Participant's termination of Service only to the extent and during the applicable time period determined in accordance with Section 6.4 (treating the SAR as if it were an Option) and thereafter shall terminate.

Section 7.7 Transferability of SARs. During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. An SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Award, a Tandem SAR related to a Nonstatutory Stock Option or a Freestanding SAR shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

ARTICLE VIII

Restricted Stock Awards.

Restricted Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Stock Bonus or a Restricted Stock Purchase Right and the number of shares of Stock subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

Section 8.1 Types of Restricted Stock Awards Authorized. Restricted Stock Awards may be granted in the form of either a Restricted Stock Bonus or a Restricted Stock Purchase Right. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of or satisfaction of Vesting Conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

Section 8.2 Purchase Price. The purchase price for shares of Stock issuable under each Restricted Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Restricted Stock Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock subject to a Restricted Stock Award.

Section 8.3 Purchase Period. A Restricted Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Stock Purchase Right.

Section 8.4 Payment of Purchase Price. Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Restricted Stock Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

Section 8.5 Vesting and Restrictions on Transfer. Shares issued pursuant to any Restricted Stock Award may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 8.8. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Trading Compliance Policy. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

Section 8.6 Voting Rights; Dividends and Distributions. Except as provided in this Section, Section 8.5 and any Award Agreement, during any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares; provided, however, that if so determined by the Committee and provided by the Award Agreement, such dividends and distributions shall be subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid, and otherwise shall be paid no later than the end of the calendar year in which such dividends or distributions are paid to stockholders (or, if later, the 15th day of the third month following the date such dividends or distributions are paid to stockholders). In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

Section 8.7 Effect of Termination of Service. Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then (a) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Restricted Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

Section 8.8 Nontransferability of Restricted Stock Award Rights. Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

ARTICLE IX

Restricted Stock Units.

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

Section 9.1 Grant of Restricted Stock Unit Awards. Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

Section 9.2 Purchase Price. No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

Section 9.3 Vesting. Restricted Stock Unit Awards may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award.

Section 9.4 Voting Rights, Dividend Equivalent Rights and Distributions. Participants shall have no voting rights or dividend rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with a cash amount or with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Restricted Stock Units (rounded to the nearest whole number), if any, to be credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. If so determined by the Committee and provided by the Award Agreement, such cash amount or additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

Section 9.5 Effect of Termination of Service. Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

Section 9.6 Settlement of Restricted Stock Unit Awards. The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee in compliance with Section 409A, if applicable, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 9.4) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that if the settlement date with respect to any shares issuable upon vesting of Restricted Stock Units would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then the settlement date shall be deferred until the next trading day on which the sale of such shares would not violate the Trading Compliance Policy but in any event no later than the 15th day of the third calendar month following the year in which such Restricted Stock Units vest. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Committee, in its discretion, may provide for settlement of any Restricted Stock Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section.

Section 9.7 Nontransferability of Restricted Stock Unit Awards. The right to receive shares pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

ARTICLE X

Performance Awards.

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

Section 10.1 Types of Performance Awards Authorized. Performance Awards may be granted in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

Section 10.2 Initial Value of Performance Shares and Performance Units. Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial monetary value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.3, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial monetary value established by the Committee at the time of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

Section 10.3 Establishment of Performance Period, Performance Goals and Performance Award Formula. In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

Section 10.4 **Measurement of Performance Goals.** Performance Goals shall be established by the Committee on the basis of targets to be attained (“**Performance Targets**”) with respect to one or more measures of business or financial performance or other criteria established by the Committee (each, a “**Performance Measure**”), subject to the following:

(a) **Performance Measures.** Performance Measures based on objective criteria shall be calculated in accordance with the Company’s financial statements, or, if such measures are not reported in the Company’s financial statements, they shall be calculated in accordance with generally accepted accounting principles, a method used generally in the Company’s industry, or in accordance with a methodology established by the Committee prior to the grant of the Performance Award. Performance Measures based on subjective criteria shall be determined on the basis established by the Committee in granting the Award. As specified by the Committee, Performance Measures may be calculated with respect to the Company and each Subsidiary Corporation consolidated therewith for financial reporting purposes, one or more Subsidiary Corporations or such division or other business unit of any of them selected by the Committee. Unless otherwise determined by the Committee prior to the grant of the Performance Award, the Performance Measures applicable to the Performance Award shall be calculated prior to the accrual of expense for any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) on the Performance Measures of any change in accounting standards or any unusual or infrequently occurring event or transaction, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant’s rights with respect to a Performance Award. Performance Measures may be based upon one or more of the following, without limitation, as determined by the Committee:

- (i) revenue;
- (ii) sales;
- (iii) expenses;
- (iv) operating income;
- (v) gross margin;
- (vi) operating margin;
- (vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;
- (viii) pre-tax profit;
- (ix) net operating income;
- (x) net income;
- (xi) economic value added;
- (xii) free cash flow;
- (xiii) operating cash flow;
- (xiv) balance of cash, cash equivalents and marketable securities;
- (xv) stock price;
- (xvi) earnings per share;
- (xvii) return on stockholder equity;
- (xviii) return on capital;
- (xix) return on assets;

- (xx) return on investment;
- (xxi) total stockholder return;
- (xxii) employee satisfaction;
- (xxiii) employee retention;
- (xxiv) market share;
- (xxv) customer satisfaction;
- (xxvi) product development;
- (xxvii) research and development expenses;
- (xxviii) completion of an identified special project;
- (xxix) completion of a joint venture or other corporate transaction; and
- (xxx) personal performance objectives established for an individual Participant or group of Participants.

(b) **Performance Targets.** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the Performance Target level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value, an increase or decrease in a value, or as a value determined relative to an index, budget or other standard selected by the Committee.

Section 10.5 Settlement of Performance Awards.

(a) **Determination of Final Value.** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall determine the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) **Discretionary Adjustment of Award Formula.** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award granted to any Participant to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine.

(c) **Effect of Leaves of Absence.** Unless otherwise required by law or a Participant's Award Agreement, payment of the final value, if any, of a Performance Award held by a Participant who has taken in excess of thirty (30) days in unpaid leaves of absence during a Performance Period shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on an unpaid leave of absence.

(d) **Notice to Participants.** As soon as practicable following the Committee's determination in accordance with Sections 10.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

(e) **Payment in Settlement of Performance Awards.** As soon as practicable following the Committee's determination in accordance with Sections 10.5(a) and (b), but in any event within the Short-Term Deferral Period described in Section 15.1 (except as otherwise provided below or consistent with the requirements of Section 409A), payment shall be made to each eligible Participant (or such Participant's legal representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the payment to be made to the Participant pursuant to this Section, and

such deferred payment date(s) elected by the Participant shall be set forth in the Award Agreement. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights or interest.

(f) **Provisions Applicable to Payment in Shares.** If payment is to be made in shares of Stock, the number of such shares shall be determined by dividing the final value of the Performance Award by the Fair Market Value of a share of Stock determined by the method specified in the Award Agreement. Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

Section 10.6 Voting Rights; Dividend Equivalent Rights and Distributions. Participants shall have no voting rights or dividend rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Performance Shares are settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant either in cash or in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Performance Shares (rounded to the nearest whole number), if any, to be so credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalent Rights, if any, shall be accumulated and paid to the extent that the related Performance Shares become nonforfeitable. Settlement of Dividend Equivalent Rights may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 10.5. Dividend Equivalent Rights shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

Section 10.7 Effect of Termination of Service. Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Performance Award, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

(a) **Death or Disability.** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

(b) **Other Termination of Service.** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety; provided, however, that in the event of an involuntary termination of the Participant's Service, the Committee, in its discretion, may waive the automatic forfeiture of all or any portion of any such Award and determine the final value of the Performance Award in the manner provided by Section 10.7(a). Payment of any amount pursuant to this Section shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

Section 10.8 **Nontransferability of Performance Awards.** Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

ARTICLE XI

Cash-Based Awards and Other Stock-Based Awards.

Cash-Based Awards and Other Stock-Based Awards shall be evidenced by Award Agreements in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

Section 11.1 **Grant of Cash-Based Awards.** Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms and conditions, including the achievement of performance criteria, as the Committee may determine.

Section 11.2 **Grant of Other Stock-Based Awards.** The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted securities, stock-equivalent units, stock appreciation units, securities or debentures convertible into common stock or other forms determined by the Committee) in such amounts and subject to such terms and conditions as the Committee shall determine. Other Stock-Based Awards may be made available as a form of payment in the settlement of other Awards or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may involve the transfer of actual shares of Stock to Participants, or payment in cash or otherwise of amounts based on the value of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

Section 11.3 **Value of Cash-Based and Other Stock-Based Awards.** Each Cash-Based Award shall specify a monetary payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on such shares of Stock, as determined by the Committee. The Committee may require the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. If the Committee exercises its discretion to establish performance criteria, the final value of Cash-Based Awards or Other Stock-Based Awards that will be paid to the Participant will depend on the extent to which the performance criteria are met.

Section 11.4 **Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards.** Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, shares of Stock or other securities or any combination thereof as the Committee determines. To the extent applicable, payment or settlement with respect to each Cash-Based Award and Other Stock-Based Award shall be made in compliance with the requirements of Section 409A.

Section 11.5 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights or dividend rights with respect to shares of Stock represented by Other Stock-Based Awards until the date of the issuance of such shares of Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), if any, in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Other Stock-Based Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid in accordance with

the provisions set forth in Section 9.4. Dividend Equivalent Rights shall not be granted with respect to Cash-Based Awards. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, appropriate adjustments shall be made in the Participant's Other Stock-Based Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of such Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions and performance criteria, if any, as are applicable to the Award.

Section 11.6 Effect of Termination of Service. Each Award Agreement evidencing a Cash-Based Award or Other Stock-Based Award shall set forth the extent to which the Participant shall have the right to retain such Award following termination of the Participant's Service. Such provisions shall be determined in the discretion of the Committee, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination, subject to the requirements of Section 409A, if applicable.

Section 11.7 Nontransferability of Cash-Based Awards and Other Stock-Based Awards. Prior to the payment or settlement of a Cash-Based Award or Other Stock-Based Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. The Committee may impose such additional restrictions on any shares of Stock issued in settlement of Cash-Based Awards and Other Stock-Based Awards as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, or under any state securities laws or foreign law applicable to such shares of Stock.

ARTICLE XII

Standard Forms of Award Agreement.

Section 12.1 Award Agreements. Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement, which execution may be evidenced by electronic means.

Section 12.2 Authority to Vary Terms. The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

ARTICLE XIII

Change in Control.

Section 13.1 Effect of Change in Control on Awards. In the event of a Change in Control, outstanding Awards shall be subject to the definitive agreement entered into by the Company in connection with the Change in Control. Subject to the requirements and limitations of Section 409A, if applicable, the Committee may provide for any one or more of the following:

(a) **Accelerated Vesting.** In its discretion, the Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate to provide for acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto upon such conditions, including termination of the Participant's Service prior to, upon, or following the Change in Control, and to such extent as the Committee determines.

(b) **Assumption, Continuation or Substitution.** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the “**Acquiror**”), may, without the consent of any Participant, assume or continue the Company’s rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror’s stock, as applicable. For purposes of this Section, if so determined by the Committee in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) **Cash-Out of Outstanding Stock-Based Awards.** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award denominated in shares of Stock or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced (but not below zero) by the exercise or purchase price per share, if any, under such Award. In the event such determination is made by the Committee, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards, consistent with the requirements of Section 409A, if applicable.

Section 13.2 Effect of Change in Control on Nonemployee Director Awards. Subject to the requirements and limitations of Section 409A, if applicable, including as provided by Section 15.4(f), in the event of a Change in Control, each outstanding Nonemployee Director Award shall become immediately exercisable and vested in full and, except to the extent assumed, continued or substituted for pursuant to Section 13.1(b), shall be settled effective immediately prior to the time of consummation of the Change in Control.

Section 13.3 Federal Excise Tax Under Section 4999 of the Code.

(a) **Excess Parachute Payment.** If any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an “excess parachute payment” under Section 280G of the Code, then, provided such election would not subject the Participant to taxation under Section 409A, the Participant may elect to reduce the amount of any acceleration of vesting called for under the Award in order to avoid such characterization.

(b) **Determination by Tax Firm.** To aid the Participant in making any election called for under Section 13.3(a), no later than the date of the occurrence of any event that might reasonably be anticipated

to result in an “excess parachute payment” to the Participant as described in Section 13.3(a), the Company shall request a determination in writing by the professional firm engaged by the Company for general tax purposes, or, if the tax firm so engaged by the Company is serving as accountant or auditor for the Acquiror, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section (the “**Tax Firm**”). As soon as practicable thereafter, the Tax Firm shall determine and report to the Company and the Participant the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Tax Firm may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Tax Firm such information and documents as the Tax Firm may reasonably request in order to make its required determination. The Company shall bear all fees and expenses the Tax Firm charges in connection with its services contemplated by this Section.

ARTICLE XIV

Compliance with Securities Law.

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award, or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

ARTICLE XV

Compliance with Section 409A.

Section 15.1 Awards Subject to Section 409A. The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this Section 15 shall apply to any Award or portion thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

(a) A Nonstatutory Stock Option or SAR that includes any feature for the deferral of compensation other than the deferral of recognition of income until the later of (i) the exercise or disposition of the Award or (ii) the time the stock acquired pursuant to the exercise of the Award first becomes substantially vested.

(b) Any Restricted Stock Unit Award, Performance Award, Cash-Based Award or Other Stock-Based Award that either (i) provides by its terms for settlement of all or any portion of the Award at a time or upon an event that will or may occur later than the end of the Short-Term Deferral Period (as defined below) or (ii) permits the Participant granted the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

Subject to the provisions of Section 409A, the term “**Short-Term Deferral Period**” means the 2½ month period ending on the later of (i) the 15th day of the third month following the end of the Participant’s taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company’s taxable year in which the right to payment under the applicable portion of the Award is no longer subject

to a substantial risk of forfeiture. For this purpose, the term “substantial risk of forfeiture” shall have the meaning provided by Section 409A.

Section 15.2 Deferral and/or Distribution Elections. Except as otherwise permitted or required by Section 409A, the following rules shall apply to any compensation deferral and/or payment elections (each, an “**Election**”) that may be permitted or required by the Committee pursuant to an Award providing Section 409A Deferred Compensation:

- (a) Elections must be in writing and specify the amount of the payment in settlement of an Award being deferred, as well as the time and form of payment as permitted by this Plan.
- (b) Elections shall be made by the end of the Participant’s taxable year prior to the year in which services commence for which an Award may be granted to the Participant.
- (c) Elections shall continue in effect until a written revocation or change in Election is received by the Company, except that a written revocation or change in Election must be received by the Company prior to the last day for making the Election determined in accordance with paragraph (b) above or as permitted by Section 15.3.

Section 15.3 Subsequent Elections. Except as otherwise permitted or required by Section 409A, any Award providing Section 409A Deferred Compensation which permits a subsequent Election to delay the payment or change the form of payment in settlement of such Award shall comply with the following requirements:

- (a) No subsequent Election may take effect until at least twelve (12) months after the date on which the subsequent Election is made.
- (b) Each subsequent Election related to a payment in settlement of an Award not described in Section 15.4(a)(ii), 15.4(a)(iii) or 15.4(a)(vi) must result in a delay of the payment for a period of not less than five (5) years from the date on which such payment would otherwise have been made.
- (c) No subsequent Election related to a payment pursuant to Section 15.4(a)(iv) shall be made less than twelve (12) months before the date on which such payment would otherwise have been made.
- (d) Subsequent Elections shall continue in effect until a written revocation or change in the subsequent Election is received by the Company, except that a written revocation or change in a subsequent Election must be received by the Company prior to the last day for making the subsequent Election determined in accordance the preceding paragraphs of this Section 15.3.

Section 15.4 Payment of Section 409A Deferred Compensation.

(a) **Permissible Payments.** Except as otherwise permitted or required by Section 409A, an Award providing Section 409A Deferred Compensation must provide for payment in settlement of the Award only upon one or more of the following:

- (i) The Participant’s “separation from service” (as defined by Section 409A);
- (ii) The Participant’s becoming “disabled” (as defined by Section 409A);
- (iii) The Participant’s death;
- (iv) A time or fixed schedule that is either (i) specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 15.2 or 15.3, as applicable;
- (v) A change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 409A; or
- (vi) The occurrence of an “unforeseeable emergency” (as defined by Section 409A).

(b) **Installment Payments.** It is the intent of this Plan that any right of a Participant to receive installment payments (within the meaning of Section 409A) shall, for all purposes of Section 409A, be treated as a right to a series of separate payments.

(c) ***Required Delay in Payment to Specified Employee Pursuant to Separation from Service.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, except as otherwise permitted by Section 409A, no payment pursuant to Section 15.4(a)(i) in settlement of an Award providing for Section 409A Deferred Compensation may be made to a Participant who is a “specified employee” (as defined by Section 409A) as of the date of the Participant’s separation from service before the date (the “***Delayed Payment Date***”) that is six (6) months after the date of such Participant’s separation from service, or, if earlier, the date of the Participant’s death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(d) ***Payment Upon Disability.*** All distributions of Section 409A Deferred Compensation payable pursuant to Section 15.4(a)(ii) by reason of a Participant becoming disabled shall be paid in a lump sum or in periodic installments as established by the Participant’s Election. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon becoming disabled, all such distributions shall be paid in a lump sum upon the determination that the Participant has become disabled.

(e) ***Payment Upon Death.*** If a Participant dies before complete distribution of amounts payable upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed to his or her beneficiary under the distribution method for death established by the Participant’s Election upon receipt by the Committee of satisfactory notice and confirmation of the Participant’s death. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon death, all such distributions shall be paid in a lump sum upon receipt by the Committee of satisfactory notice and confirmation of the Participant’s death.

(f) ***Payment Upon Change in Control.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A. Any Award which constitutes Section 409A Deferred Compensation and which would vest and otherwise become payable upon a Change in Control as a result of the failure of the Acquiror to assume, continue or substitute for such Award in accordance with Section 13.1(b) shall vest to the extent provided by such Award but shall be converted automatically at the effective time of such Change in Control into a right to receive, in cash on the date or dates such award would have been settled in accordance with its then existing settlement schedule (or as required by Section 15.4(c)), an amount or amounts equal in the aggregate to the intrinsic value of the Award at the time of the Change in Control.

(g) ***Payment Upon Unforeseeable Emergency.*** The Committee shall have the authority to provide in the Award Agreement evidencing any Award providing for Section 409A Deferred Compensation for payment pursuant to Section 15.4(a)(vi) in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an unforeseeable emergency. In such event, the amount(s) distributed with respect to such unforeseeable emergency cannot exceed the amounts reasonably necessary to satisfy the emergency need plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such emergency need is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an unforeseeable emergency shall be made in a lump sum upon the Committee’s determination that an unforeseeable emergency has occurred. The Committee’s decision with respect to whether an unforeseeable emergency has occurred and the manner in which, if at all, the payment in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

(h) ***Prohibition of Acceleration of Payments.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, this Plan does not permit the acceleration of the time or schedule of any payment under an Award providing Section 409A Deferred Compensation, except as permitted by Section 409A.

(i) **No Representation Regarding Section 409A Compliance.** Notwithstanding any other provision of the Plan, the Company makes no representation that Awards shall be exempt from or comply with Section 409A. No Participating Company shall be liable for any tax, penalty or interest imposed on a Participant by Section 409A.

ARTICLE XVI

Tax Withholding.

Section 16.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes (including social insurance), if any, required by law to be withheld by any Participating Company with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

Section 16.2 **Withholding in or Directed Sale of Shares.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of any Participating Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates (or the maximum individual statutory withholding rates for the applicable jurisdiction if use of such rates would not result in adverse accounting consequences or cost). The Company may require a Participant to direct a broker, upon the vesting, exercise or settlement of an Award, to sell a portion of the shares subject to the Award determined by the Company in its discretion to be sufficient to cover the tax withholding obligations of any Participating Company and to remit an amount equal to such tax withholding obligations to such Participating Company in cash.

ARTICLE XVII

Amendment, Suspension or Termination of Plan.

The Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Sections 4.2 and 4.3), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule, including the rules of any stock exchange or quotation system upon which the Stock may then be listed or quoted. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Committee. Except as provided by the next sentence, no amendment, suspension or termination of the Plan may have a materially adverse effect on any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan or any Award Agreement to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A.

ARTICLE XVIII

Miscellaneous Provisions.

Section 18.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase

right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

Section 18.2 Forfeiture Events.

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for Cause or any act by a Participant, whether before or after termination of Service, that would constitute Cause for termination of Service, or any accounting restatement due to material noncompliance of the Company with any financial reporting requirements of securities laws as a result of which, and to the extent that, such reduction, cancellation, forfeiture, or recoupment is required by applicable securities laws. In addition, to the extent that claw-back or similar provisions applicable to Awards are required by applicable law, listing standards and/or policies adopted by the Company, Awards granted under the Plan shall be subject to such provisions.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any Participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company for (i) the amount of any payment in settlement of an Award received by such Participant during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement, and (ii) any profits realized by such Participant from the sale of securities of the Company during such twelve- (12-) month period.

Section 18.3 Provision of Information. Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

Section 18.4 Rights as Employee, Consultant or Director. No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

Section 18.5 Rights as a Stockholder. A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.3 or another provision of the Plan.

Section 18.6 Delivery of Title to Shares. Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

Section 18.7 Fractional Shares. The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

Section 18.8 Retirement and Welfare Plans. Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards may be included as “compensation” for purposes of computing the benefits payable to any Participant under any Participating Company’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant’s benefit. In addition, unless a written employment agreement or other service agreement specifically references Awards, a general reference to “benefits” or a similar term in such agreement shall not be deemed to refer to Awards granted hereunder.

Section 18.9 Beneficiary Designation. Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant’s death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant’s lifetime. If a married Participant designates a beneficiary other than the Participant’s spouse, the effectiveness of such designation may be subject to the consent of the Participant’s spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant’s death, the Company will pay any remaining unpaid benefits to the Participant’s legal representative.

Section 18.10 Severability. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

Section 18.11 No Constraint on Corporate Action. Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company’s or another Participating Company’s right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

Section 18.12 Unfunded Obligation. Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be considered unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant’s creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

Section 18.13 Choice of Law. Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of California, without regard to its conflict of law rules.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the GSI Technology, Inc. 2016 Equity Incentive Plan as duly adopted by the Board on July 7, 2021.

/s/ Robert Yau

Robert Yau, Secretary

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-33387

GSI Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0398779
(IRS Employer
Identification No.)

1213 Elko Drive
Sunnyvale, California 94089
(Address of principal executive offices, zip code)

(408) 331-8800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on which Registered</u>
Common Stock, \$0.001 par value	GSIT	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on September 30, 2020, as reported on the Nasdaq Global Market, was approximately \$101.7 million. Shares of the registrant's common stock held by each officer and director and each person who owns 10% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of May 31, 2021, there were 24,156,470 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2021 annual meeting of stockholders are incorporated by reference into Part III hereof.

GSI TECHNOLOGY, INC.

2021 FORM 10-K ANNUAL REPORT

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Forward-looking Statements

In addition to historical information, this Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements involve risks and uncertainties. Forward-looking statements are identified by words such as “anticipates,” “believes,” “expects,” “intends,” “may,” “will,” and other similar expressions. In addition, any statements which refer to expectations, projections, or other characterizations of future events or circumstances are forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including those set forth in this report under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors,” those described elsewhere in this report, and those described in our other reports filed with the Securities and Exchange Commission (“SEC”). We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report, and we undertake no obligation to update these forward-looking statements after the filing of this report. You are urged to review carefully and consider our various disclosures in this report and in our other reports publicly disclosed or filed with the SEC that attempt to advise you of the risks and factors that may affect our business.

PART I

Item 1. Business

Overview

For many years we have developed and marketed high performance memory products, including “Very Fast” static random access memory, or SRAM, that are incorporated primarily in high-performance networking and telecommunications equipment, such as routers, switches, wide area network infrastructure equipment, wireless base stations and network access equipment. We sell these products to leading original equipment manufacturer, or OEM, customers including Nokia. In addition, we serve the ongoing needs of the military, aerospace, industrial, test and measurement equipment, automotive and medical markets for high-performance SRAMs. Based on the performance characteristics of our products and the breadth of our product portfolio, we consider ourselves to be a leading provider of Very Fast SRAMs. We utilize a fabless business model, which allows us both to focus our resources on research and development, product design and marketing, and to gain access to advanced process technologies with only modest capital investment and fixed costs.

Beginning in November 2015 with the acquisition of an Israeli company, our principal strategic objective has been the development of in-place associative computing solutions for applications in evolving new markets such as “big data” (including machine learning and deep convolutional neural networks (“CNNs”)), natural language processing, computer vision, and cyber security. Our commercialization efforts for our initial Associative Processing Unit (“APU”) products are focused on applications using similarity search. Similarity search is used in visual search queries for ecommerce and molecular structure similarity search applications for drug and vaccine discovery. Our extensive experience in developing high speed synchronous SRAMs enhances our ability to develop hardware artificial intelligence (AI) products and solutions with long term reliability. Even as we develop in-place associative computing solutions, we continue to be committed to the synchronous SRAM market, supplying both exceedingly high densities not available elsewhere, and robust high-quality radiation-tolerant and radiation-hardened space grade parts.

We were incorporated in California in 1995 under the name Giga Semiconductor, Inc. We changed our name to GSI Technology in December 2003 and reincorporated in Delaware in June 2004 under the name GSI Technology, Inc. Our principal executive offices are located at 1213 Elko Drive, Sunnyvale, California, 94089, and our telephone number is (408) 331-8800.

Industry and Market Background

Associative Processing Unit Computing Markets

With the vast amount of data currently being generated and the demand for faster processing of that data, processor speeds are continuing to increase. However, existing systems that move data back and forth between the processor and memory are not able to provide the fast response times required by real time “big data” applications. Faster response times are also needed to meet the demands of developers in such markets as cyber security and computer vision. For example, in the automotive market, advanced driver assistance systems require a tremendous amount of image processing to be accomplished in real time.

Our commercialization efforts for the APU product are initially focused on similarity search applications and other applications that can leverage the math-in-place capabilities of the APU. We see demand for the APU in artificial intelligence applications, including approximate nearest neighbor searches, natural language processing, cryptography, and synthetic aperture radar as well as other fields where the technology’s superior speed at a very low power consumption is needed.

Similarity search uses a technique called distance metric learning, in which learning algorithms measure how similar or related objects are. Our APU is well suited for very fast similarity search because its design enables distance metric learning using fast computation speeds with high degrees of accuracy. Our APU is further differentiated from other solutions in the market by its scalability for very large datasets. The use of visual search, a subset of similarity search, is forecasted to grow rapidly as AI is adopted by the online retail industry. The APU has demonstrated the ability to increase the rate of computation for visual search by orders of magnitude with greater accuracy and reduced power consumption. This kind of performance has the potential to transform online retailers’ capabilities to run search queries and improve customers’ online shopping experience.

The APU’s higher speeds and increased accuracy in similarity search has been shown to speed drug discovery, which can potentially lower drug discovery costs, an important consideration for research organizations dependent on funding. The APU is well suited for enhancing drug discovery work because it can perform similarity searches using very descriptive molecular representations in a virtual environment. This can significantly reduce the cost of developing drugs by allowing virtual screening and requires less use of physical laboratories. Use of AI products like the APU could reduce costs, increase drug efficacy and safety, and increase speed to market thereby potentially saving billions of dollars. For these reasons, the APU is drawing interest from prospective customers in the pharmaceutical and genomics industries.

Our associative computing technology utilizes in-memory associative processor structures to address the bottlenecks that limit performance and increase power consumption in CPUs, GPUs, and FPGAs when processing large datasets. By constantly having to move operands and results in and out of devices with ever increasing processing speeds and bus speeds, current solutions are focused on memory transfers rather than addressing the basic computation problem. By changing the computational framework to parallel processing and having search functions conducted directly in a processing memory array, the APU has the potential to greatly expedite computation and response times in “big data” applications. We believe that our state-of-the-art circuit design expertise will enable us to develop high-quality associative processors based upon our patented, in-place associative computing technology and algorithms. We are creating a new category of computing products that are expected to have substantial target markets and a large new customer base in those markets. Our associative computing products have shown to improve system performance, reduce query response times from hours to seconds and at the same time significantly reduce power consumption and system cost.

New Markets for the APU

The APU is capable of processing large data arrays without having to simultaneously transfer data and input new data. Not only does this capability provide a very cost competitive solution for large database similarity search, but the mathematical capabilities of the APU also create new opportunities for using real-time causal processing. Furthermore, GSI's expertise in developing radiation-tolerant components creates new opportunities in the growing market for AI products that can be used in low earth orbit and space applications, where other AI products are not able to survive the harsh environment. These are all additional markets experiencing growth that could benefit from our technology.

APU Board Level Product

Our APU technology is currently being used in the medical industry, and is being evaluated in digital signal processing, face recognition, and cybersecurity markets. Our current product is a half-length PCIe card that will fit into a blade, rack, or desktop server. There is a higher capability full length card being introduced this year and as part of our strategy to expand the total addressable market for our board product, GSI is developing other form factors and product configurations.

High-Speed Synchronous SRAM Market Overview

Over the past 20 years, the demand for high-speed synchronous SRAMs has been dominated by the networking and telecom industry, which incorporates SRAM into high-performance routers, switches, and other end-products. The networking and telecom industry's demand for high-speed synchronous SRAMs has accounted for more than 70% of the total addressable market while the remaining market consisted of military/defense and aerospace applications, audio/video processing, test and measurement equipment, medical and automotive applications, and other miscellaneous applications.

However, for the past decade the networking and telecom market demand for high-speed synchronous SRAMs has been steadily declining due to the industry trend of embedding greater amounts of SRAM into each generation of ASICs/controllers products, thereby reducing the need for external SRAMs. We expect this decline in demand from the networking and telecom market to continue. As a result, the demand for external high-speed synchronous SRAMs in new end-products is being driven by what had previously been considered secondary markets, the greatest of those being military/defense and aerospace applications. Such applications require a combination of high densities and high random transaction rates that GSI is well positioned to serve, being the only SRAM manufacturer to offer 288Mb densities as well as offering the highest truly random transaction rate in the industry – 1866 million transactions per second (MT/s). To further serve the military/defense and aerospace markets, GSI has been focusing on qualifying its products for space/satellite applications to capitalize on opportunities resulting from the development of near-earth orbiting satellite mega constellations, as well as the more traditional geo-stationary earth orbit satellite communication platforms and national assets.

High-Speed Synchronous SRAM Products

We offer four families of high-speed synchronous SRAMs – SyncBurst™, NBT™, SigmaQuad™, and SigmaDDR™. They feature high density, high transaction rate, high data bandwidth, low latency, and low power consumption. We commit to offering our products for longer periods of time than our competitors, typically ten years or more following their initial introduction, including die shrinks.

These four product families provide the basis for approximately 10,000 individual part numbers. They are available in several density and data width configurations and are available in a variety of performance, feature, temperature, and package options. Our products can be found in a wide range of networking and

telecommunications equipment, including core routers, multi-service access routers, universal gateways, enterprise edge routers, service provider edge routers, optical edge routers, fast Ethernet switches and wireless base stations. We also sell our products to OEMs that manufacture products for military and aerospace applications such as radar and guidance systems and satellites, for professional audio applications such as sound mixing systems, for test and measurement applications such as high-speed testers, for automotive applications such as smart cruise control, and for medical applications such as ultrasound and CAT scan equipment.

Synchronous SRAM timing is controlled by a clock that defines its operating frequency. Some are “common I/O” (common input/output data bus), and some are “separate I/O” (separate input and output data busses). Additionally, some are “single data rate” (SDR), in which one unit of data is transferred per clock cycle, and some are “double data rate” (DDR), in which two units of data are transferred per clock cycle. The “Quad” in our SigmaQuad product name refers to its ability to send and receive DDR data simultaneously, in the same clock cycle.

SyncBurst™ and NBT™ SRAMs. Synchronous Burst (SyncBurst) and No Bus Turnaround (NBT) SRAMs implement a common I/O, SDR bus protocol. SyncBurst SRAMs were originally developed for microprocessor cache applications, but eventually migrated to many diverse applications. NBT SRAMs are offshoots of the SyncBurst SRAM architecture and were developed specifically to address the needs of networking and telecom applications. They feature a bus protocol designed to minimize or eliminate idle cycles when switching between read and write operations. Both families can perform burst data transfers or single data transfers at the discretion of the user. Both families come with pipeline and flow-through mode options.

Our SyncBurst and NBT SRAMs are available in densities from 4 Mb to 288 Mb (four times greater than the nearest competition), with operating frequencies up to 400 MHz (up to sixty percent greater than other suppliers). They can be operated with supply voltages of 1.8V, 2.5V, or 3.3V.

SigmaQuad™ and SigmaDDR™ Products. SigmaQuad SRAMs implement a separate I/O, DDR bus protocol, while SigmaDDR SRAMs implement a common I/O, DDR bus protocol. They were developed specifically to meet the rapidly growing density and random transaction rate requirements of networking and telecom applications, requirements that NBT SRAMs are unable to meet, and have been used extensively in those markets for the past 15 years. They include the highest performance SRAMs available in the market today, with random transaction rates up to 1866 MT/s – forty percent greater than the nearest competition. Both product families have burst-of-2 and burst-of-4 options.

We have developed several generations of SigmaQuad and SigmaDDR SRAMs, with increasing performance capability, referred to as Type-I, Type-II, Type-II+, Type-IIIe, and Type-IVe. They are available in densities from 18Mb to 288Mb (two times greater than the nearest competition), with operating frequencies up to 1333 MHz. They can be operated with a range of supply voltages depending on the generation.

RadHard and RadTolerant SRAM Products. We have committed to introduce and market radiation-hardened, or “RadHard”, and radiation-tolerant, or “RadTolerant”, SRAMs for aerospace and military applications such as networking satellites and missiles. Our initial RadHard and RadTolerant products are 288 megabit, 144 megabit, and 72 megabit devices from our SigmaQuad-II+ family. We have also expanded to include 144 megabit, 72 megabit, and 32 megabit SyncBurst and NBT SRAMs RadTolerant products to enable the avionics and other space platforms that have historically leveraged smaller asynchronous devices. The RadHard products are housed in a hermetically-sealed ceramic column grid array package, and undergo a special fabrication process that diminishes the adverse effects of high-radiation environments.

The GSI Solution

Continue Leadership in the High Performance Memory Market

We endeavor to address the overall needs of our OEM customers, not only satisfying their immediate requirements for our latest generation, highest performance networking memory, but also providing them with the ongoing long-term support necessary during the entire lives of the systems in which our products are utilized. Accordingly, the key elements of our solution include:

- *Product Performance Leadership.* Through the use of advanced architectures and design methodologies, we have developed high-performance SRAM products offering superior high speed performance capabilities and low power consumption, while our advanced silicon process technologies allow us to optimize yields, lower manufacturing costs and improve quality.
- *Product Innovation.* We believe that we have established a position as a technology leader in the design and development of Very Fast SRAMs. We are believed to have the industry's highest density RadHard SRAM, the SigmaQuad-II+, which is an example of our industry-leading product innovation.
- *Broad and Readily Available Product Portfolio.* We have what we believe is the broadest catalog of Very Fast SRAM products.
- *Master Die Methodology.* Our master die methodology enables multiple product families, and variations thereof, to be manufactured from a single mask set so that we are able to maintain a common pool of wafers that incorporate all available master die, allowing rapid fulfillment of customer orders and reducing costs.
- *Customer Responsiveness.* We work closely with leading networking and telecommunications OEMs, as well as their chip-set suppliers, to anticipate their requirements and to rapidly develop and implement solutions that allow them to meet their specific product performance objectives.

The GSI Strategy

Our objective is to profitably increase our market share in the markets that we serve, while developing transformative new products utilizing our cutting-edge in-place associative computing technology. Our strategy includes the following key elements:

- *Complete productization of our initial In-place Associative Computing product.* Our principal operations objective is the completion of productization efforts for our initial in-place associative computing product. We are on-track to complete this productization work in calendar 2021.
- *Identifying and developing new long tail markets where the APU is differentiated.* Realization of this goal will require additional development and marketing efforts in calendar 2021. In many instances, customer evaluations can proceed with the current product. We anticipate that our optimized product will be ready for production in calendar 2021.
- *Identify opportunities and rapidly increase sales of RadHard and RadTolerant SRAMs.* We are aggressively targeting the Aerospace & Defense ("A&D") markets now that our radiation hardened qualifications are complete. We plan to continue expansion into the A&D markets with our APU platform that has shown design robustness for those applications.
- *Exploit opportunities to expand the market for our SRAM products.* While we developed our high-performance SRAM products principally for the networking and telecom markets, they are often applicable across a wide range of industries and applications. We have experienced growth in product

sales for military, industrial, test and measurement, and medical markets and intend to continue penetrating these and other new markets with similar needs for high-performance SRAM technologies.

- *Collaborate with wafer foundry to leverage leading-edge process technologies.* We will continue to utilize CMOS fabrication process technologies from TSMC to design our products.
- *Seek new market opportunities.* We intend to supplement our internal development activities by seeking additional opportunities to acquire other businesses, product lines or technologies, or enter into strategic partnerships, that would complement our current product lines, expand the breadth of our markets, enhance our technical capabilities, or otherwise provide growth opportunities.

Customers

Historically, our primary sales and marketing strategy has been to achieve design wins with leading OEMs in the networking and telecommunications markets and the other markets we serve. With the development of our new in-place associative computing products, we are focusing sales and marketing efforts in the markets for “big data” (including CNNs), natural language processing, computer vision and cyber security with our initial focus in this area being for similarity search applications including facial recognition, drug discovery and drug toxicity, signal and object detection and cryptography.

The following is a representative list of our OEM customers that directly or indirectly purchased more than \$500,000 of our SRAM products in the fiscal year ended March 31, 2021:

BAE Systems
Honeywell
Rockwell

Ciena
Lockheed

General Dynamics
Nokia

Many of our OEM customers use contract manufacturers to assemble their equipment. Accordingly, a significant percentage of our net revenues is derived from sales to these contract manufacturers and to consignment warehouses who purchase products from us for use by contract manufacturers. In addition, we sell our products to OEM customers indirectly through domestic and international distributors.

In the case of sales of our products to distributors and consignment warehouses, the decision to purchase our products is typically made by the OEM customers. In the case of contract manufacturers, OEM customers typically provide a list of approved products to the contract manufacturer, which then has discretion whether or not to purchase our products from that list.

Direct sales to contract manufacturers and consignment warehouses accounted for 43.7%, 33.7% and 41.3% of our net revenues for fiscal 2021, 2020 and 2019, respectively. Sales to foreign and domestic distributors accounted for 54.7%, 61.3% and 56.0% of our net revenues for fiscal 2021, 2020 and 2019, respectively.

The following direct customers accounted for 10% or more of our net revenues in one or more of the following periods:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Contract manufacturers and consignment warehouses:			
Flextronics Technology	21.1 %	14.8 %	21.8 %
Sanmina	21.5	17.4	17.7
Distributors:			
Avnet Logistics	29.8	34.3	31.3
Nexcomm	14.7	15.1	14.8

Nokia was our largest customer in fiscal 2021, 2020 and 2019. Nokia purchases products directly from us and through contract manufacturers and distributors. Based on information provided to us by its contract manufacturers and our distributors, purchases by Nokia represented approximately 39%, 38% and 45% of our net revenues in fiscal 2021, 2020 and 2019, respectively. To our knowledge, none of our other OEM customers accounted for more than 10% of our net revenues in any of these periods.

Sales, Marketing and Technical Support

We sell our products primarily through our worldwide network of independent sales representatives and distributors. As of March 31, 2021, we employed 18 sales and marketing personnel, and were supported by over 200 independent sales representatives, which we believe will enable us to address an expanded customer base with the continuing introduction of our associative computing products in fiscal 2022. We believe that our relationship with our U.S. distributor, Avnet, puts us in a strong position to address the Very Fast SRAM memory market in the United States. We currently have regional sales offices located in Canada, China, Hong Kong, Israel and the United States. We believe this international coverage allows us to better serve our distributors and OEM customers by providing them with coordinated support. We believe that our customers' purchasing decisions are based primarily on product performance, availability, features, quality, reliability, price, manufacturing flexibility and service. Many of our OEM customers have had long-term relationships with us based on our success in meeting these criteria.

Our sales are generally made pursuant to purchase orders received between one and six months prior to the scheduled delivery date. Because industry practice allows customers to reschedule or cancel orders on relatively short notice, these orders are not firm and hence we believe that backlog is not a good indicator of our future sales. We have recently experienced price increases for raw materials and manufacturing services due to the tightness in the semiconductor market and have responded with increased pricing to our customers. We typically provide a warranty of up to 36 months on our products. Liability for a stated warranty period is usually limited to replacement of defective products.

Our marketing efforts are, first and foremost, focused on ensuring that the products we develop meet or exceed our customers' needs. Historically, those efforts have been focused on defining our high-performance SRAM product roadmap by working closely with key customers to understand their roadmaps and to ensure that the products we develop meet their requirements (primary aspects of which include functionality, performance, electrical interfaces, power, and schedule). More recently, our marketing efforts have been expanded to include marketing the new in-place associative computing products that we are developing. Our marketing group also provides technical, strategic and tactical sales support to our direct sales personnel, sales representatives and distributors. This support includes in-depth product presentations, datasheets, application notes, simulation models,

sales tools, marketing communications, marketing research, trademark administration and other support functions. We also engage in various marketing activities to increase brand awareness.

We emphasize customer service and technical support in an effort to provide our OEM customers with the knowledge and resources necessary to successfully use our products in their designs. Our customer service organization includes a technical team of applications engineers, technical marketing personnel and, when required, product design engineers. We provide customer support throughout the qualification and sales process and continue providing follow-up service after the sale of our products and on an ongoing basis. In addition, we provide our OEM customers with comprehensive datasheets, application notes and reference designs and access to our FPGA controller IP for use in their product development.

Manufacturing

We outsource our wafer fabrication, assembly and wafer sort testing, which enables us to focus on our design strengths, minimize fixed costs and capital expenditures and gain access to advanced manufacturing technologies. Our engineers work closely with our outsource partners to increase yields, reduce manufacturing costs, and help assure the quality of our products.

Currently, all of our SRAM and APU wafers are manufactured by TSMC under individually negotiated purchase orders. We do not currently have a long-term supply contract with our foundry, and, therefore, TSMC is not obligated to manufacture products for us for any specified period, in any specified quantity or at any specified price, except as may be provided in a particular purchase order. Our future success depends in part on our ability to secure sufficient capacity at TSMC or other independent foundries to supply us with the wafers we require.

The majority of our current SRAM products are manufactured using 0.13 micron, 90 nanometer, 65 nanometer and 40 nanometer process technologies on 300 millimeter wafers at TSMC. Our current in-place associative computing products are manufactured at TSMC using 28 nanometer process technology.

Our master die methodology enables multiple product families, and variations thereof, to be manufactured from a single mask set. As a result, based upon the way available die from a wafer are metalized, wire bonded, packaged and tested, we can create a number of different products. The manufacturing process consists of two phases, the first of which takes approximately eight to twelve weeks and results in wafers that have the potential to yield multiple products within a given product family. After the completion of this phase, the wafers are stored pending customer orders. Once we receive orders for a particular product, we perform the second phase, consisting of final wafer processing, assembly, burn-in and test, which takes approximately ten to eighteen weeks to complete. This two-step manufacturing process enables us to significantly shorten our product lead times, providing flexibility for customization and to increase the availability of our products.

All of our manufactured wafers, including wafers for our APU product, are tested for electrical compliance and most are packaged at Advanced Semiconductor Engineering, or ASE, which is located in Taiwan. Our test procedures require that all of our products be subjected to accelerated burn-in and extensive functional electrical testing which is performed at our Taiwan and U.S. test facilities. Our radiation-hardened products are assembled and tested at STS, located near our Sunnyvale, California headquarters facility.

Research and Development

We have devoted substantial resources in the last five years on the development of a new category of in-place associative computing products. Our research and development staff includes engineering professionals with extensive experience in the areas of high-speed circuit design, including SRAM design, DRAM design and systems level networking and telecommunications equipment design, and are well suited for the development of our

associative computing products. Additionally, we have assembled a team of software development experts in Israel needed for the development of the various levels of software required in the use of our associative computing products. The design process for our products is complex. As a result, we have made substantial investments in computer-aided design and engineering resources to manage our design process.

Competition

Our existing and potential competitors include many large domestic and international companies, some of which have substantially greater resources, offer other types of memory and/or non-memory technologies and may have longer standing relationships with OEM customers than we do. Unlike us, some of our principal competitors maintain their own semiconductor fabs, which may, at times, provide them with capacity, cost and technical advantages.

Our principal competitors include Cypress Semiconductor (Infineon Technologies AG), Integrated Silicon Solution, Micron and REC for our SRAM products. NVIDIA Corporation and Intel Corporation are prospective competitors for our in-place associative computing products. Other competitors are expected to enter this field as well. While some of our competitors offer a broader array of products and offer some of their products at lower prices than we do, we believe that our focus on performance leadership provides us with key competitive advantages.

We believe that our ability to compete successfully in the rapidly evolving markets for “big data” and memory products for the networking and telecommunications markets depends on a number of factors, including:

- product performance, features, quality, reliability and price;
- manufacturing flexibility, product availability and customer service throughout the lifetime of the product;
- the timing and success of new product introductions by us, our customers and our competitors; and
- our ability to anticipate and conform to new industry standards.

We believe we compete favorably with our competitors based on these factors. However, we may not be able to compete successfully in the future with respect to any of these factors. Our failure to compete successfully in these or other areas could harm our business.

The market for networking memory products is competitive and is characterized by technological change, declining average selling prices and product obsolescence. Competition could increase in the future from existing competitors and from other companies that may enter our existing or future markets with solutions that may be less costly or provide higher performance or more desirable features than our products. This increased competition may result in price reductions, reduced profit margins and loss of market share.

In addition, we are vulnerable to advances in technology by competitors, including new SRAM architectures as well as new forms of DRAM and other new memory technologies. Because we have limited experience developing IC products other than Very Fast SRAMs, any efforts by us to introduce new products based on new technology, including our new in-place associative computing products, may not be successful and, as a result, our business may suffer.

Intellectual Property

Our ability to compete successfully depends, in part, upon our ability to protect our proprietary technology and information. We rely on a combination of patents, copyrights, trademarks, trade secret laws, non-disclosure and other contractual arrangements and technical measures to protect our intellectual property. We believe that it is important to maintain a large patent portfolio to protect our innovations. We currently hold 113 United States patents, including 62 memory patents and 51 associative computing patents, and have in excess of a dozen patent applications pending. We cannot assure you that any patents will be issued as a result of our pending applications. We believe that factors such as the technological and creative skills of our personnel and the success of our ongoing product development efforts are also important in maintaining our competitive position. We generally enter into confidentiality or license agreements with our employees, distributors, customers and potential customers and limit access to our proprietary information. Our intellectual property rights, if challenged, may not be upheld as valid, may not be adequate to prevent misappropriation of our technology or may not prevent the development of competitive products. Additionally, we may not be able to obtain patents or other intellectual property protection in the future. Furthermore, the laws of certain foreign countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as do the laws of the United States and thus make the possibility of piracy of our technology and products more likely in these countries.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which have resulted in significant and often protracted and expensive litigation. We or our foundry from time to time are notified of claims that we may be infringing patents or other intellectual property rights owned by third parties. We have been involved in patent infringement litigation in the past. We have been subject to other intellectual property claims in the past and we may be subject to additional claims and litigation in the future. Litigation by or against us relating to allegations of patent infringement or other intellectual property matters could result in significant expense to us and divert the efforts of our technical and management personnel, whether or not such litigation results in a determination favorable to us. In the event of an adverse result in any such litigation, we could be required to pay substantial damages, cease the manufacture, use and sale of infringing products, expend significant resources to develop non-infringing technology, discontinue the use of certain processes or obtain licenses to the infringing technology. Licenses may not be offered or the terms of any offered licenses may not be acceptable to us. If we fail to obtain a license from a third party for technology used by us, we could incur substantial liabilities and be required to suspend the manufacture of products or the use by our foundry of certain processes.

Human Capital Resources

As of March 31, 2021, we had 178 full-time employees, including 110 engineers, of which 88 are engaged in research and development and 52 have PhD or MS degrees, 18 employees in sales and marketing, 10 employees in general and administrative capacities and 66 employees in manufacturing. Of these employees, 62 are based in our Sunnyvale facility, 59 are based in our Taiwan facility and 42 are based in our Israel facility. We believe that our future success will depend in large part on our ability to attract and retain highly-skilled, engineering, managerial, sales and marketing personnel. Our employees are not represented by any collective bargaining unit, and we have never experienced a work stoppage. We believe that our employee relations are good.

Compensation and benefits

Our goal is to attract, motivate and retain talent with a focus on encouraging performance, promoting accountability and adhering to our company values. We offer competitive compensation and benefit programs including a 401(k) Plan, stock options for all employees, flexible spending accounts and paid time off.

Diversity, inclusion and belonging

We are committed to our continued efforts to increase diversity and foster an inclusive work environment that supports the global workforce and the communities we serve. We recruit the best people for the job regardless of gender, ethnicity or other protected traits and it is our policy to fully comply with all laws applicable to discrimination in the workplace. Our diversity, equity and inclusion principles are also reflected in our employee training and policies. We continue to enhance our diversity, equity and inclusion policies which are guided by our executive leadership team.

Health and safety

We are committed to maintain a safe and healthy workplace for our employees. Our policies and practices are intended to protect our employees and surrounding communities in which we operate.

In fiscal 2021, in response to the COVID-19 pandemic, we implemented safety protocols and new procedures to protect our employees. These protocols include complying with social distancing and other health and safety standards as required by state and local government agencies, taking into consideration guidelines of the Centers for Disease Control and Prevention and other public health authorities. In addition, we modified the way we conduct many aspects of our business including the practice of social distancing, wearing face coverings mandated by state and local regulations, and maintaining a quarantine for employees determined to be in close contact with a COVID-19 case. For example, since March 2020, except for our employees located in Taiwan, the majority of our employees have worked from home around the world. In May 2021, with the surge in COVID-19 infections in Taiwan, our employees in Taiwan have begun working from home under alternating schedules

Investor Information

You can access financial and other information in the Investor Relations section of our website at www.gsitechnology.com. We make available, on our website, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

The charters of our Audit Committee, our Compensation Committee, and our Nominating and Governance Committee, our code of conduct (including code of ethics provisions that apply to our principal executive officer, principal financial officer, controller, and senior financial officers) and our corporate governance guidelines are also available at our website under “Corporate Governance.” These items are also available to any stockholder who requests them by calling (408) 331-8800. The contents of our website are not incorporated by reference in this report.

The SEC maintains an Internet site that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Executive Officers

The following table sets forth certain information concerning our executive officers as of June 1, 2021:

Name	Age	Title
Lee-Lean Shu	66	President, Chief Executive Officer and Chairman
Didier Lasserre	56	Vice President, Sales
Douglas Schirle	66	Chief Financial Officer
Bor-Tay Wu	69	Vice President, Taiwan Operations
Ping Wu	64	Vice President, U.S. Operations
Robert Yau	68	Vice President, Engineering, Secretary and Director

Lee-Lean Shu co-founded our company in March 1995 and has served as our President and Chief Executive Officer and as a member of our Board of Directors since inception. Since October 2000, Mr. Shu has also served as Chairman of our Board. From January 1995 to March 1995, Mr. Shu was Director, SRAM Design at Sony Microelectronics Corporation, a semiconductor company and a subsidiary of Sony Corporation, and from July 1990 to January 1995, he was a design manager at Sony Microelectronics Corporation.

Didier Lasserre has served as our Vice President, Sales since July 2002. From November 1997 to July 2002, Mr. Lasserre served as our Director of Sales for the Western United States and Europe. From July 1996 to October 1997, Mr. Lasserre was an account manager at Solelectron Corporation, a provider of electronics manufacturing services. From June 1988 to July 1996, Mr. Lasserre was a field sales engineer at Cypress Semiconductor Corporation, a semiconductor company.

Douglas Schirle has served as our Chief Financial Officer since August 2000. From June 1999 to August 2000, Mr. Schirle served as our Corporate Controller. From March 1997 to June 1999, Mr. Schirle was the Corporate Controller at Pericom Semiconductor Corporation, a provider of digital and mixed signal integrated circuits. From November 1996 to February 1997, Mr. Schirle was Vice President, Finance for Paradigm Technology, a manufacturer of SRAMs, and from December 1993 to October 1996, he was the Controller for Paradigm Technology. Mr. Schirle was formerly a certified public accountant.

Bor-Tay Wu has served as our Vice President, Taiwan Operations since January 1997. From January 1995 to December 1996, Mr. Wu was a design manager at Atalent, an IC design company in Taiwan.

Ping Wu has served as our Vice President, U.S. Operations since September 2006. He served in the same capacity from February 2004 to April 2006. From April 2006 to August 2006, Mr. Wu was Vice President of Operations at QPixel Technology, a semiconductor company. From July 1999 to January 2004, Mr. Wu served as our Director of Operations. From July 1997 to June 1999, Mr. Wu served as Vice President of Operations at Scan Vision, a semiconductor manufacturer.

Robert Yau co-founded our company in March 1995 and has served as our Vice President, Engineering and as a member of our Board of Directors since inception. From December 1993 to February 1995, Mr. Yau was design manager for specialty memory devices at Sony Microelectronics Corporation. From 1990 to 1993, Mr. Yau was design manager at MOSEL/VITELIC, a semiconductor company.

Item 1A. Risk Factors

Our future performance is subject to a variety of risks. If any of the following risks actually occur, our business, financial condition and results of operations could suffer and the trading price of our common stock could decline. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business operations. You should also refer to other information contained in this report, including our consolidated financial statements and related notes.

Risks Related to Our Business and Financial Condition

Unpredictable fluctuations in our operating results could cause our stock price to decline.

Our quarterly and annual revenues, expenses and operating results have varied significantly and are likely to vary in the future. For example, in the twelve fiscal quarters ended March 31, 2021, we recorded net revenues of as much as \$14.7 million and as little as \$6.6 million, including net revenues varying from \$6.6 million to \$7.7 million in the last four quarters and quarterly operating income of as much as \$2.2 million and, in eleven quarters, operating losses, including operating losses varying from \$5.2 million to \$5.7 million in the last four quarters ended March 31, 2021. We therefore believe that period-to-period comparisons of our operating results are not a good indication of our future performance, and you should not rely on them to predict our future performance or the future performance of our stock price. For the last four consecutive quarters, our net revenues were adversely impacted by the COVID-19 global pandemic. In future periods, we may not have any revenue growth, or our revenues could decline or continue to be further adversely impacted by the COVID-19 global pandemic. Furthermore, if our operating expenses exceed our expectations, our financial performance could be adversely affected. Factors that may affect periodic operating results in the future include:

- commercial acceptance of our associative computing products;
- changes in our customers' inventory management practices;
- unpredictability of the timing and size of customer orders, since most of our customers purchase our products on a purchase order basis rather than pursuant to a long-term contract;
- our ability to anticipate and conform to new industry standards;
- fluctuations in availability and costs associated with materials and manufacturing services needed to satisfy customer requirements caused by supply constraints;
- manufacturing defects, which could cause us to incur significant warranty, support and repair costs, lose potential sales, harm our relationships with customers and result in write-downs;
- changes in our product pricing policies, including those made in response to new product announcements and pricing changes of our competitors; and
- our ability to address technology issues as they arise, improve our products' functionality and expand our product offerings.

Our expenses are, to a large extent, fixed, and we expect that these expenses will increase in the future. We have recently experienced price increases for raw materials and manufacturing services due to the tightness in the semiconductor market. We will not be able to adjust our spending quickly if our revenues fall short of our expectations. If this were to occur, our operating results would be harmed. If our operating results in future quarters fall below the expectations of market analysts and investors, the price of our common stock could fall.

The COVID-19 global pandemic has caused increased stock market volatility and uncertainty in customer demand and the worldwide economy in general, and we may continue to experience decreased sales and revenues in the future. We expect such impact will in particular affect our SRAM sales and may also impact the launch of our

APU product to some degree. However, the magnitude of such impact on our business and its duration is highly uncertain.

Our largest OEM customer accounts for a significant percentage of our net revenues. If this customer, or any of our other major customers, reduces the amount they purchase or stop purchasing our products, our operating results will suffer.

Nokia, our largest customer, purchases our products directly from us and through contract manufacturers and distributors. Purchases by Nokia represented approximately 39%, 38% and 45% of our net revenues in fiscal 2021, 2020 and 2019, respectively. We expect that our operating results in any given period will continue to depend significantly on orders from our key OEM customers, particularly Nokia, and our future success is dependent to a large degree on the business success of this customer over which we have no control. We do not have long-term contracts with Nokia or any of our other major OEM customers, distributors or contract manufacturers that obligate them to purchase our products. We expect that future direct and indirect sales to Nokia and our other key OEM customers will continue to fluctuate significantly on a quarterly basis and that such fluctuations may substantially affect our operating results in future periods. The decline in economic activity resulting from the COVID-19 global pandemic is expected to cause a continued reduction in orders from Nokia and our other key OEM customers. If we fail to continue to sell to our key OEM customers, distributors or contract manufacturers in sufficient quantities, our business could be harmed.

The ongoing COVID-19 global pandemic may continue to adversely affect our revenues, results of operations and financial condition.

Our business is expected to continue to be materially adversely affected by the COVID-19 global pandemic. National, state and local governments in affected regions have implemented, and may continue to implement, safety precautions which include quarantines, travel restrictions, business closures, cancellations of public gatherings and other measures as they deem necessary. Many organizations and individuals, including the Company and our employees, are taking additional steps to avoid or reduce infection, including limiting travel and working from home. These measures are disrupting normal business operations both in and outside of affected areas and have had significant negative impacts on businesses and financial markets worldwide.

We continue to monitor our operations and government recommendations and have made modifications to our normal operations because of the COVID-19 global pandemic. We have instituted many preventative measures and are regularly evaluating those measures and others as we continue to better understand our current and future operating environment. Since March 2020, except for our employees located in Taiwan, the majority of our employees have worked from home around the world. In May 2021, with the surge in COVID-19 infections in Taiwan, our Taiwan employees have begun working from home under alternating schedules. We have maintained a substantial portion of our manufacturing operational capacity at our primary manufacturing support facility located in Hsin Chu, Taiwan where our suppliers are located and where all of our products are manufactured. Since the outbreak of COVID-19, aside from the lengthening of lead times for wafers and assembly services and some price increases, we have experienced minimal impact, and continue to experience minimal impact, on our manufacturing operations in Taiwan. Final testing of our product is conducted in house. Shipping and receiving operations at our Sunnyvale headquarters facility are being maintained by a skeleton crew with minimal impact. Our revenues have been and are expected to continue to be impacted by changes in customer buying patterns and communication limitations related to COVID-19 restrictions that require a significant number of our customer contacts to work from home. We have adapted our sales strategies for the COVID-19 environment where we cannot do face-to-face meetings and conduct secure meetings with government and defense contractors.

We have experienced, and expect to continue to experience, a number of adverse impacts as a result of the COVID-19 global pandemic, including reductions in demand for our products, delays and cancellations of orders, difficulties in obtaining raw materials and components, shortages of labor to manufacture products, inefficiencies caused by remote worker's difficulties in performing their normal work outputs, closures of the facilities of some of our suppliers and customers, delays in shipments and delays in collecting accounts receivable. Although it is difficult to accurately estimate the length or gravity of the impact of the COVID-19 outbreak, if the pandemic continues, it is expected to have an adverse effect on our results of operations, financial position, and liquidity during fiscal year 2022. This includes results from new information that may emerge concerning COVID-19 and any

actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID-19 within our financial statements and there may be changes to those estimates in future periods.

The disruption to the marketplace resulting from the COVID-19 global pandemic that we continue to experience is unlike anything we have ever had to deal with. While we continue to monitor the business metrics that we have historically used to predict our financial performance, we are uncertain as to whether these metrics will operate consistently with our historical experience.

Disruptions in the capital markets as a result of the COVID-19 global pandemic may also adversely affect our ability to obtain additional liquidity should the impacts of the global pandemic continue for a prolonged period.

We have incurred significant losses and may incur losses in the future.

We have incurred significant losses. We incurred net losses of \$21.5 million, \$10.3 million and \$4.5 million during fiscal 2021, 2020 and 2018, respectively. There can be no assurance that our Very Fast SRAMs will continue to receive broad market acceptance, that our new product development initiatives will be successful or that we will be able to achieve sustained revenue growth or profitability.

We depend upon the sale of our Very Fast SRAMs for most of our revenues, and a downturn in demand for these products could significantly reduce our revenues and harm our business.

We derive most of our revenues from the sale of Very Fast SRAMs, and we expect that sales of these products will represent the substantial majority of our revenues for the foreseeable future. Our business depends in large part upon continued demand for our products in the markets we currently serve, which could continue to be adversely impacted by the COVID-19 global pandemic, and adoption of our products in new markets. Market adoption will be dependent upon our ability to increase customer awareness of the benefits of our products and to prove their high-performance and cost-effectiveness. We may not be able to sustain or increase our revenues from sales of our products, particularly if the networking and telecommunications markets were to experience another significant downturn in the future. Any decrease in revenues from sales of our products could harm our business more than it would if we offered a more diversified line of products.

Our future success is substantially dependent on the successful introduction of new in-place associative computing products which entails significant risks.

Since 2015, our principal strategic objective has been the development of our first in-place associative computing product. We have devoted, and will continue to devote, substantial efforts and resources to the development of our new family of in-place associative computing products. This ongoing project involves the commercialization of new, cutting-edge technology, will require a continuing substantial effort during fiscal 2022 and beyond and will be subject to significant risks. In addition to the typical risks associated with the development of technologically advanced products (as further detailed in the next paragraph), this project will be subject to enhanced risks of technological problems related to the development of this entirely new category of products, substantial risks of delays or unanticipated costs that may be encountered, and risks associated with the establishment of entirely new markets and customer relationships. The establishment of new customer relationships and selling our in-place associative computing products to such new customers is a significant undertaking that requires us to invest heavily in our sales team, enter into new channel partner relationships, expand our marketing activities and change the focus of our business and operations. Our inability to successfully establish a market for the product that we have developed will have a material adverse effect on our future financial and business success, including our prospects for increased revenues. Additionally, if we are unable to meet the expectations of market analysts and investors with respect to this major product introduction effort, then the price of our common stock could fall.

We are dependent on a number of single source suppliers, and if we fail to obtain adequate supplies, our business will be harmed and our prospects for growth will be curtailed.

We currently purchase several key components used in the manufacture of our products from single sources and are dependent upon supply from these sources to meet our needs. If any of these suppliers cannot provide components on a timely basis, at the same price or at all, our ability to manufacture our products will be constrained and our business will suffer. For example, due to the COVID-19 global pandemic, we could see additional disruptions in our supply chain beyond the longer lead-times for the purchase of wafers and assembly services that we are currently experiencing. Most significantly, we obtain wafers for our Very Fast SRAM and APU products from a single foundry, TSMC, and most of them are packaged at ASE. If we are unable to obtain an adequate supply of wafers from TSMC or find alternative sources in a timely manner, we will be unable to fulfill our customer orders and our operating results will be harmed. We do not have supply agreements with TSMC, ASE or any of our other independent assembly and test suppliers, and instead obtain manufacturing services and products from these suppliers on a purchase-order basis. Our suppliers, including TSMC, have no obligation to supply products or services to us for any specific product, in any specific quantity, at any specific price or for any specific time period. As a result, the loss or failure to perform by any of these suppliers could adversely affect our business and operating results.

Should any of our single source suppliers experience manufacturing failures or yield shortfalls, be disrupted by the COVID-19 global pandemic, natural disaster or political instability, choose to prioritize capacity or inventory for other uses or reduce or eliminate deliveries to us for any other reason, we likely will not be able to enforce fulfillment of any delivery commitments and we would have to identify and qualify acceptable replacements from alternative sources of supply. In particular, if TSMC is unable to supply us with sufficient quantities of wafers to meet all of our requirements, we would have to allocate our products among our customers, which would constrain our growth and might cause some of them to seek alternative sources of supply. Since the manufacturing of wafers and other components is extremely complex, the process of qualifying new foundries and suppliers is a lengthy process and there is no assurance that we would be able to find and qualify another supplier without materially adversely affecting our business, financial condition and results of operations.

If we do not successfully develop new products to respond to rapid market changes due to changing technology and evolving industry standards, particularly in the networking and telecommunications markets, our business will be harmed.

If we fail to offer technologically advanced products and respond to technological advances and emerging standards, we may not generate sufficient revenues to offset our development costs and other expenses, which will hurt our business. The development of new or enhanced products is a complex and uncertain process that requires the accurate anticipation of technological and market trends. In particular, the networking and telecommunications markets are rapidly evolving and new standards are emerging. We are vulnerable to advances in technology by competitors, including new SRAM architectures, new forms of DRAM and the emergence of new memory technologies that could enable the development of products that feature higher performance or lower cost. In addition, the trend toward incorporating SRAM into other chips in the networking and telecommunications markets has the potential to reduce future demand for Very Fast SRAM products. We may experience development, marketing and other technological difficulties that may delay or limit our ability to respond to technological changes, evolving industry standards, competitive developments or end-user requirements. For example, because we have limited experience developing integrated circuits, or IC, products other than Very Fast SRAMs, our efforts to introduce new products may not be successful and our business may suffer. Other challenges that we face include:

- our products may become obsolete upon the introduction of alternative technologies;
- we may incur substantial costs if we need to modify our products to respond to these alternative technologies;
- we may not have sufficient resources to develop or acquire new technologies or to introduce new products capable of competing with future technologies;

- new products that we develop may not successfully integrate with our end-users' products into which they are incorporated;
- we may be unable to develop new products that incorporate emerging industry standards;
- we may be unable to develop or acquire the rights to use the intellectual property necessary to implement new technologies; and
- when introducing new or enhanced products, we may be unable to manage effectively the transition from older products.

If we are unable to offset increased wafer fabrication and assembly costs by increasing the average selling prices of our products, our gross margins will suffer.

If there is a significant upturn in the demand for the manufacturing and assembly of semiconductor products as has occurred in recent months as a result of the COVID-19 global pandemic, the available supply of wafers and packaging services may be limited. As a result, we could be required to obtain additional manufacturing and assembly capacity in order to meet increased demand. Securing additional manufacturing and assembly capacity may cause our wafer fabrication and assembly costs to increase. If we are unable to offset these increased costs by increasing the average selling prices of our products, our gross margins will decline.

We are subject to the highly cyclical nature of the networking and telecommunications markets.

Our Very Fast SRAM products are incorporated into routers, switches, wireless local area network infrastructure equipment, wireless base stations and network access equipment used in the highly cyclical networking and telecommunications markets. We expect that the networking and telecommunications markets will continue to be highly cyclical, characterized by periods of rapid growth and contraction. Our business and our operating results are likely to fluctuate, perhaps quite severely, as a result of this cyclical nature.

The market for Very Fast SRAMs is highly competitive.

The market for Very Fast SRAMs, which are used primarily in networking and telecommunications equipment, is characterized by price erosion, rapid technological change, cyclical market patterns and intense foreign and domestic competition. Several of our competitors offer a broad array of memory products and have greater financial, technical, marketing, distribution and other resources than we have. Some of our competitors maintain their own semiconductor fabrication facilities, which may provide them with capacity, cost and technical advantages over us. We cannot assure you that we will be able to compete successfully against any of these competitors. Our ability to compete successfully in this market depends on factors both within and outside of our control, including:

- real or perceived imbalances in supply and demand of Very Fast SRAMs;
- the rate at which OEMs incorporate our products into their systems;
- the success of our customers' products;
- our ability to develop and market new products; and
- the supply and cost of wafers.

There can be no assurance that we will be able to compete successfully in the future. Our failure to compete successfully in these or other areas could harm our business.

We rely heavily on distributors and our success depends on our ability to develop and manage our indirect distribution channels.

A significant percentage of our sales are made to distributors and to contract manufacturers who incorporate our products into end products for OEMs. For example, in fiscal 2021, 2020 and 2019, our largest distributor Avnet Logistics accounted for 29.8%, 34.3% and 31.3%, respectively, of our net revenues. Avnet Logistics and our other existing distributors may choose to devote greater resources to marketing and supporting the products of other companies. Since we sell through multiple channels and distribution networks, we may have to resolve potential conflicts between these channels. For example, these conflicts may result from the different discount levels offered by multiple channel distributors to their customers or, potentially, from our direct sales force targeting the same equipment manufacturer accounts as our indirect channel distributors. These conflicts may harm our business or reputation.

The average selling prices of our products are expected to decline, and if we are unable to offset these declines, our operating results will suffer.

Historically, the average unit selling prices of our products have declined substantially over the lives of the products, and we expect this trend to continue. A reduction in overall average selling prices of our products could result in reduced revenues and lower gross margins. Our ability to increase our net revenues and maintain our gross margins despite a decline in the average selling prices of our products will depend on a variety of factors, including our ability to introduce lower cost versions of our existing products, increase unit sales volumes of these products, and introduce new products with higher prices and greater margins. If we fail to accomplish any of these objectives, our business will suffer. To reduce our costs, we may be required to implement design changes that lower our manufacturing costs, negotiate reduced purchase prices from our independent foundries and our independent assembly and test vendors, and successfully manage our manufacturing and subcontractor relationships. Because we do not operate our own wafer foundry or assembly facilities, we may not be able to reduce our costs as rapidly as companies that operate their own foundries or facilities.

We are substantially dependent on the continued services and performance of our senior management and other key personnel.

Our future success is substantially dependent on the continued services and continuing contributions of our senior management who must work together effectively in order to design our products, expand our business, increase our revenues and improve our operating results. Members of our senior management team have long-standing and important relationships with our key customers and suppliers. The loss of services, whether as a result of illness, retirement or death, of Lee-Lean Shu, our President and Chief Executive Officer, Robert Yau, our Vice President of Engineering, Dr. Avidan Akerib, our Vice President of Associative Computing, any other executive officer or other key employee could significantly delay or prevent the achievement of our development and strategic objectives. We do not have employment contracts with, nor maintain key person insurance on, any of our executive officers or other key employees.

System security risks, data protection, cyber-attacks and systems integration issues could disrupt our internal operations or the operations of our business partners, and any such disruption could harm our reputation or cause a reduction in our expected revenue, increase our expenses, negatively impact our results of operation or otherwise adversely affect our stock price.

Security breaches, computer malware and cyber-attacks have become more prevalent and sophisticated in recent years and may increase in the future due to a large number of our employees working from home during the COVID-19 global pandemic. Experienced computer programmers and hackers may be able to penetrate our network security or the network security of our business partners, and misappropriate or compromise our confidential and proprietary information, create system disruptions or cause shutdowns. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions and delays that may impede our sales, manufacturing, distribution or other critical functions.

We manage and store various proprietary information and sensitive or confidential data relating to our business on the cloud. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or confidential data about us, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our reputation or otherwise harm our business. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive than originally anticipated. Such disruptions could adversely impact our ability to fulfill orders and interrupt other processes and could adversely affect our financial results, stock price and reputation.

We may be unable to accurately predict future sales through our distributors, which could harm our ability to efficiently manage our resources to match market demand.

Our financial results, quarterly product sales, trends and comparisons are affected by fluctuations in the buying patterns of the OEMs that purchase our products from our distributors. While we attempt to assist our distributors in maintaining targeted stocking levels of our products, we may not consistently be accurate or successful. This process involves the exercise of judgment and use of assumptions as to future uncertainties, including end user demand. Inventory levels of our products held by our distributors may exceed or fall below the levels we consider desirable on a going-forward basis. This could result in distributors returning unsold inventory to us, or in us not having sufficient inventory to meet the demand for our products. If we are not able to accurately predict sales through our distributors or effectively manage our relationships with our distributors, our business and financial results will suffer.

A small number of customers generally account for a significant portion of our accounts receivable in any period, and if any one of them fails to pay us, our financial position and operating results will suffer.

At March 31, 2021, four customers accounted for 36%, 28%, 15% and 12% of our accounts receivable, respectively. If any of these customers do not pay us, our financial position and operating results will be harmed. Generally, we do not require collateral from our customers.

Demand for our products may decrease if our OEM customers experience difficulty manufacturing, marketing or selling their products.

Our products are used as components in our OEM customers' products, including routers, switches and other networking and telecommunications products. Accordingly, demand for our products is subject to factors affecting the ability of our OEM customers to successfully introduce and market their products, including:

- capital spending by telecommunication and network service providers and other end-users who purchase our OEM customers' products;
- the competition our OEM customers face, particularly in the networking and telecommunications industries;
- the technical, manufacturing, sales and marketing and management capabilities of our OEM customers;
- the financial and other resources of our OEM customers; and
- the inability of our OEM customers to sell their products if they infringe third-party intellectual property rights.

As a result, if OEM customers reduce their purchases of our products, our business will suffer.

Our products have lengthy sales cycles that make it difficult to plan our expenses and forecast results.

Our products are generally incorporated in our OEM customers' products at the design stage. However, their decisions to use our products often require significant expenditures by us without any assurance of success, and often precede volume sales, if any, by a year or more. If an OEM customer decides at the design stage not to incorporate our products into their products, we will not have another opportunity for a design win with respect to that customer's product for many months or years, if at all. Our sales cycle can take up to 24 months to complete, and because of this lengthy sales cycle, we may experience a delay between increasing expenses for research and development and our sales and marketing efforts and the generation of volume production revenues, if any, from these expenditures. Moreover, the value of any design win will largely depend on the commercial success of our OEM customers' products. There can be no assurance that we will continue to achieve design wins or that any design win will result in future revenues.

Claims that we infringe third party intellectual property rights could seriously harm our business and require us to incur significant costs.

In recent years, there has been significant litigation in the semiconductor industry involving patents and other intellectual property rights. We have been involved in protracted patent infringement litigation, and we could become subject to additional claims or litigation in the future as a result of allegations that we infringe others' intellectual property rights or that our use of intellectual property otherwise violates the law. Claims that our products infringe the proprietary rights of others would force us to defend ourselves and possibly our customers, distributors or manufacturers against the alleged infringement. Any such litigation regarding intellectual property could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and results of operations. Similarly, changing our products or processes to avoid infringing the rights of others may be costly or impractical. If any claims received in the future were to be upheld, the consequences to us could require us to:

- stop selling our products that incorporate the challenged intellectual property;
- obtain a license to sell or use the relevant technology, which license may not be available on reasonable terms or at all;
- pay damages; or
- redesign those products that use the disputed technology.

Although patent disputes in the semiconductor industry have often been settled through cross-licensing arrangements, we may not be able in any or every instance to settle an alleged patent infringement claim through a cross-licensing arrangement in part because we have a more limited patent portfolio than many of our competitors. If a successful claim is made against us or any of our customers and a license is not made available to us on commercially reasonable terms or we are required to pay substantial damages or awards, our business, financial condition and results of operations would be materially adversely affected.

Our acquisition of companies or technologies could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results.

In November 2015, we acquired all of the outstanding capital stock of privately held MikaMonu Group Ltd., a development-stage, Israel-based company that specializes in in-place associative computing for markets including big data, computer vision and cyber security. We also acquired substantially all of the assets related to the SRAM memory device product line of Sony Corporation in 2009. We intend to supplement our internal development activities by seeking opportunities to make additional acquisitions or investments in companies, assets or technologies that we believe are complementary or strategic. Other than the MikaMonu and Sony acquisitions, we have not made any such acquisitions or investments, and therefore our experience as an organization in making such acquisitions and investments is limited. In connection with the MikaMonu acquisition, we are subject to risks related to potential problems, delays or unanticipated costs that may be encountered in the development of products based on the MikaMonu technology and the establishment of new markets and customer relationships for the potential new

products. In addition, in connection with any future acquisitions or investments we may make, we face numerous other risks, including:

- difficulties in integrating operations, technologies, products and personnel;
- diversion of financial and managerial resources from existing operations;
- risk of overpaying for or misjudging the strategic fit of an acquired company, asset or technology;
- problems or liabilities stemming from defects of an acquired product or intellectual property litigation that may result from offering the acquired product in our markets;
- challenges in retaining key employees to maximize the value of the acquisition or investment;
- inability to generate sufficient return on investment;
- incurrence of significant one-time write-offs; and
- delays in customer purchases due to uncertainty.

If we proceed with additional acquisitions or investments, we may be required to use a considerable amount of our cash, or to finance the transaction through debt or equity securities offerings, which may decrease our financial liquidity or dilute our stockholders and affect the market price of our stock. As a result, if we fail to properly evaluate and execute acquisitions or investments, our business and prospects may be harmed.

If we are unable to recruit or retain qualified personnel, our business and product development efforts could be harmed.

We must continue to identify, recruit, hire, train, retain and motivate highly skilled technical, managerial, sales and marketing and administrative personnel. Competition for these individuals is intense, and we may not be able to successfully recruit, assimilate or retain sufficiently qualified personnel. We may encounter difficulties in recruiting and retaining a sufficient number of qualified engineers, which could harm our ability to develop new products and adversely impact our relationships with existing and future end-users at a critical stage of development. The failure to recruit and retain necessary technical, managerial, sales, marketing and administrative personnel could harm our business and our ability to obtain new OEM customers and develop new products.

Our business will suffer if we are unable to protect our intellectual property.

Our success and ability to compete depends in large part upon protecting our proprietary technology. We rely on a combination of patent, trade secret, copyright and trademark laws and non-disclosure and other contractual agreements to protect our proprietary rights. These agreements and measures may not be sufficient to protect our technology from third-party infringement. Monitoring unauthorized use of our intellectual property is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. Our attempts to enforce our intellectual property rights could be time consuming and costly. In the past, we have been involved in litigation to enforce our intellectual property rights and to protect our trade secrets. Additional litigation of this type may be necessary in the future. Any such litigation could result in substantial costs and diversion of resources. If competitors are able to use our technology without our approval or compensation, our ability to compete effectively could be harmed.

Current unfavorable economic and market conditions, domestically and internationally, may adversely affect our business, financial condition, results of operations and cash flows.

We have significant customer sales both in the United States and internationally. We also rely heavily on our suppliers in Asia. We are therefore susceptible to adverse U.S. and international economic and market conditions,

including the economic difficulties resulting from the COVID-19 global pandemic that currently exist in the United States and worldwide. If any of our manufacturing partners, customers, distributors or suppliers experience serious financial difficulties or ceases operations, our business could be adversely affected.

Any significant order cancellations or order deferrals could adversely affect our operating results.

We typically sell products pursuant to purchase orders that customers can generally cancel or defer on short notice without incurring a significant penalty. Any significant cancellations or deferrals in the future could materially and adversely affect our business, financial condition and results of operations. Cancellations or deferrals could cause us to hold excess inventory, which could reduce our profit margins, increase product obsolescence and restrict our ability to fund our operations. We generally recognize revenue upon shipment of products to a customer. If a customer refuses to accept shipped products or does not pay for these products, we could miss future revenue projections or incur significant charges against our income, which could materially and adversely affect our operating results.

If our business grows, such growth may place a significant strain on our management and operations and, as a result, our business may suffer.

We are endeavoring to expand our business, and any growth that we are successful in achieving could place a significant strain on our management systems, infrastructure and other resources. To manage the potential growth of our operations and resulting increases in the number of our personnel, we will need to invest the necessary capital to continue to improve our operational, financial and management controls and our reporting systems and procedures. Our controls, systems and procedures may prove to be inadequate should we experience significant growth. In addition, we may not have sufficient administrative staff to support our operations. For example, we currently have only five employees in our finance department in the United States, including our Chief Financial Officer. Furthermore, our officers have limited experience in managing large or rapidly growing businesses. If our management fails to respond effectively to changes in our business, our business may suffer.

Our operations involve the use of hazardous and toxic materials, and we must comply with environmental laws and regulations, which can be expensive, and may affect our business and operating results.

We are subject to federal, state and local regulations relating to the use, handling, storage, disposal and human exposure to hazardous and toxic materials. If we were to violate or become liable under environmental laws in the future as a result of our inability to obtain permits, human error, accident, equipment failure or other causes, we could be subject to fines, costs, or civil or criminal sanctions, face property damage or personal injury claims or be required to incur substantial investigation or remediation costs, which could be material, or experience disruptions in our operations, any of which could have a material adverse effect on our business. In addition, environmental laws could become more stringent over time imposing greater compliance costs and increasing risks and penalties associated with violations, which could harm our business.

We face increasing complexity in our product design as we adjust to new and future requirements relating to the material composition of our products, including the restrictions on lead and other hazardous substances that apply to specified electronic products put on the market in the European Union, China and California. Other countries, including at the federal and state levels in the United States, are also considering similar laws and regulations. Certain electronic products that we maintain in inventory may be rendered obsolete if they are not in compliance with such laws and regulations, which could negatively impact our ability to generate revenue from those products. Although we cannot predict the ultimate impact of any such new laws and regulations, they will likely result in additional costs, or in the worst case decreased revenue, and could even require that we redesign or change how we manufacture our products. Such redesigns result in additional costs and possible delayed or lost revenue.

Risks Related to Manufacturing and Product Development

We may experience difficulties in transitioning to smaller geometry process technologies and other more advanced manufacturing process technologies, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

In order to remain competitive, we expect to continue to transition the manufacture of our products to smaller geometry process technologies. This transition will require us to migrate to new manufacturing processes for our products and redesign certain products. The manufacture and design of our products is complex, and we may experience difficulty in transitioning to smaller geometry process technologies or new manufacturing processes. These difficulties could result in reduced manufacturing yields, delays in product deliveries and increased expenses. We are dependent on our relationships with TSMC to transition successfully to smaller geometry process technologies and to more advanced manufacturing processes. If we or TSMC experience significant delays in this transition or fail to implement these transitions, our business, financial condition and results of operations could be materially and adversely affected.

Manufacturing process technologies are subject to rapid change and require significant expenditures for research and development.

We continuously evaluate the benefits of migrating to smaller geometry process technologies in order to improve performance and reduce costs. Historically, these migrations to new manufacturing processes have resulted in significant initial design and development costs associated with pre-production mask sets for the manufacture of new products with smaller geometry process technologies. For example, in the second quarter of fiscal 2019, we incurred approximately \$1.0 million in research and development expense associated with a pre-production mask set that will not be used in production as part of the transition to our new 28 nanometer SRAM process technology for our APU product. We will incur similar expenses in the future as we continue to transition our products to smaller geometry processes. The costs inherent in the transition to new manufacturing process technologies will adversely affect our operating results and our gross margin.

Our products are complex to design and manufacture and could contain defects, which could reduce revenues or result in claims against us.

We develop complex products. Despite testing by us and our OEM customers, design or manufacturing errors may be found in existing or new products. These defects could result in a delay in recognition or loss of revenues, loss of market share or failure to achieve market acceptance. These defects may also cause us to incur significant warranty, support and repair costs, divert the attention of our engineering personnel from our product development efforts, result in a loss of market acceptance of our products and harm our relationships with our OEM customers. Our OEM customers could also seek and obtain damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. Defects in wafers and other components used in our products and arising from the manufacturing of these products may not be fully recoverable from TSMC or our other suppliers.

Risks Related to Our International Business and Operations

Changes in Taiwan's political, social and economic environment may affect our business performance.

Because much of the manufacturing and testing of our products is conducted in Taiwan, our business performance may be affected by changes in Taiwan's political, social and economic environment. For example, any political instability resulting from the relationship among the United States, Taiwan and the People's Republic of China could damage our business. Moreover, the role of the Taiwanese government in the Taiwanese economy is significant. Taiwanese policies toward economic liberalization, and laws and policies affecting technology companies, foreign investment, currency exchange rates, taxes and other matters could change, resulting in greater restrictions on our ability and our suppliers' ability to do business and operate facilities in Taiwan. If any of these changes were to occur, our business could be harmed and our stock price could decline.

Our international business exposes us to additional risks.

Products shipped to destinations outside of the United States accounted for 55.4%, 59.6% and 62.5% of our net revenues in fiscal 2021, 2020 and 2019, respectively. Moreover, a substantial portion of our products is manufactured and tested in Taiwan, and the software development for our associative computing products occurs in Israel. We intend to continue expanding our international business in the future. Conducting business outside of the United States subjects us to additional risks and challenges, including:

- heightened price sensitivity from customers in emerging markets;
- compliance with a wide variety of foreign laws and regulations and unexpected changes in these laws and regulations;
- uncertainties regarding taxes, tariffs, quotas, export controls and license requirements, trade wars, policies that favor domestic companies over nondomestic companies, including government efforts to provide for the development and growth of local competitors, and other trade barriers;
- potential political and economic instability in, or foreign conflicts that involve or affect, the countries in which we, our customers and our suppliers are located;
- local authorities' decisions regarding travel restrictions, stay-at-home orders, testing requirements and other policies to address public health crises such as the COVID-19 global pandemic which have an adverse impact on the economy and demand for our products;
- difficulties in collecting accounts receivable and longer accounts receivable payment cycles;
- difficulties and costs of staffing and managing personnel, distributors and representatives across different geographic areas and cultures, including assuring compliance with the U. S. Foreign Corrupt Practices Act and other U. S. and foreign anti-corruption laws;
- limited protection for intellectual property rights in some countries; and
- fluctuations in freight rates and transportation disruptions.

Moreover, our reporting currency is the U.S. dollar. However, a portion of our cost of revenues and our operating expenses is denominated in currencies other than the U.S. dollar, primarily the New Taiwanese dollar. As a result, appreciation or depreciation of other currencies in relation to the U.S. dollar could result in transaction gains or losses that could impact our operating results. We do not currently engage in currency hedging activities to reduce the risk of financial exposure from fluctuations in foreign exchange rates.

TSMC, as well as our other independent suppliers and many of our OEM customers, have operations in the Pacific Rim, an area subject to significant risk of earthquakes, typhoons and other natural disasters and adverse consequences related to the outbreak of contagious diseases such as COVID-19.

The foundry that manufactures our Fast SRAM, TSMC, and all of the principal independent suppliers that assemble and test our products are located in Taiwan. Many of our customers are also located in the Pacific Rim. The risk of an earthquake in these Pacific Rim locations is significant. The occurrence of an earthquake, typhoon or other natural disaster near the fabrication facilities of TSMC or our other independent suppliers could result in damage, power outages and other disruptions that impair their production and assembly capacity. Any disruption resulting from such events could cause significant delays in the production or shipment of our products until we are able to shift our manufacturing, assembling, packaging or production testing from the affected contractor to another third-party vendor. In such an event, we may not be able to obtain alternate foundry capacity on favorable terms, or at all.

The COVID-19 global pandemic, along with the previous outbreaks of SARS, H1N1 and the Avian Flu, has curtailed travel between and within countries, including in the Asia-Pacific region. Outbreaks of new contagious diseases or the resurgence of existing diseases that significantly affect the Asia-Pacific region could disrupt the operations of our key suppliers and manufacturing partners. In addition, our business could be harmed if such an outbreak resulted in travel being restricted, the implementation of stay-at-home or shelter-in-place orders or if it adversely affected the operations of our OEM customers or the demand for our products or our OEM customers' products.

The United States could materially modify certain international trade agreements, or change tax provisions related to the global manufacturing and sales of our products.

A portion of our business activities are conducted in foreign countries, including Taiwan and Israel. Our business benefits from free trade agreements, and we also rely on various U.S. corporate tax provisions related to international commerce as we develop, manufacture, market and sell our products globally. Any action to materially modify international trade agreements, change corporate tax policy related to international commerce or mandate domestic production of goods, could adversely affect our business, financial condition and results of operations.

Some of our products are incorporated into advanced military electronics, and changes in international geopolitical circumstances and domestic budget considerations may hurt our business.

Some of our products are incorporated into advanced military electronics such as radar and guidance systems. Military expenditures and appropriations for such purchases rose significantly in recent years. However, if current U.S. military operations around the world are scaled back, demand for our products for use in military applications may decrease, and our operating results could suffer. Domestic budget considerations may also adversely affect our operating results. For example, if governmental appropriations for military purchases of electronic devices that include our products are reduced, our revenues will likely decline.

Risks Relating to Our Common Stock and the Securities Market

The trading price of our common stock is subject to fluctuation and is likely to be volatile.

The trading price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including:

- the establishment of a market for our new associative computing products;
- actual or anticipated declines in operating results;
- changes in financial estimates or recommendations by securities analysts;
- the institution of legal proceedings against us or significant developments in such proceedings;

- announcements by us or our competitors of financial results, new products, significant technological innovations, contracts, acquisitions, strategic relationships, joint ventures, capital commitments or other events;
- changes in industry estimates of demand for Very Fast SRAM products;
- the gain or loss of significant orders or customers;
- recruitment or departure of key personnel; and
- market conditions in our industry, the industries of our customers and the economy as a whole.

In recent years the stock market in general, and the market for technology stocks in particular, have experienced extreme price fluctuations, which have often been unrelated to the operating performance of affected companies. The market price of our common stock might experience significant fluctuations in the future, including fluctuations unrelated to our performance. These fluctuations could materially adversely affect our business relationships, our ability to obtain future financing on favorable terms or otherwise harm our business. In addition, in the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. This risk is especially acute for us because the extreme volatility of market prices of technology companies has resulted in a larger number of securities class action claims against them. Due to the potential volatility of our stock price, we may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources. This could harm our business and cause the value of our stock to decline.

We may need to raise additional capital in the future, which may not be available on favorable terms or at all, and which may cause dilution to existing stockholders.

We may need to seek additional funding in the future. We do not know if we will be able to obtain additional financing on favorable terms, if at all. If we cannot raise funds on acceptable terms, if and when needed, we may not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, and we may be required to reduce operating costs, which could seriously harm our business. In addition, if we issue equity securities, our stockholders may experience dilution or the new equity securities may have rights, preferences or privileges senior to those of our common stock.

Use of a portion of our cash reserves to repurchase shares of our common stock presents potential risks and disadvantages to us and our continuing stockholders.

From November 2008 through March 2021 we repurchased and retired an aggregate of 12,004,779 shares of our common stock at a total cost of \$60.7 million, including 3,846,153 shares repurchased at a total cost of \$25 million pursuant to a modified "Dutch auction" self-tender offer that we completed in August 2014 and additional shares repurchased in the open market pursuant to our stock repurchase program. At March 31, 2021, we had outstanding authorization from our Board of Directors to purchase up to an additional \$4.3 million of our common stock from time to time under our repurchase program. Although our Board has determined that these repurchases are in the best interests of our stockholders, they expose us to certain risks including:

- the risks resulting from a reduction in the size of our "public float," which is the number of shares of our common stock that are owned by non-affiliated stockholders and available for trading in the securities markets, which may reduce the volume of trading in our shares and result in reduced liquidity and, potentially, lower trading prices;
- the risk that our stock price could decline and that we would be able to repurchase shares of our common stock in the future at a lower price per share than the prices we have paid in our tender offer and repurchase program; and
- the risk that the use of a portion of our cash reserves for this purpose has reduced, or may reduce, the amount of cash that would otherwise be available to pursue potential cash acquisitions or other strategic business opportunities.

Our executive officers, directors and entities affiliated with them hold a substantial percentage of our common stock.

As of May 31, 2021, our executive officers, directors and entities affiliated with them beneficially owned approximately 35% of our outstanding common stock. As a result, these stockholders will be able to exercise substantial influence over, and may be able to effectively control, matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could have the effect of delaying or preventing a third party from acquiring control over or merging with us.

The provisions of our charter documents might inhibit potential acquisition bids that a stockholder might believe are desirable, and the market price of our common stock could be lower as a result.

Our Board of Directors has the authority to issue up to 5,000,000 shares of preferred stock. Our Board of Directors can fix the price, rights, preferences, privileges and restrictions of the preferred stock without any further vote or action by our stockholders. The issuance of shares of preferred stock might delay or prevent a change in control transaction. As a result, the market price of our common stock and the voting and other rights of our stockholders might be adversely affected. The issuance of preferred stock might result in the loss of voting control to other stockholders. We have no current plans to issue any shares of preferred stock. Our charter documents also contain other provisions, which might discourage, delay or prevent a merger or acquisition, including:

- our stockholders have no right to remove directors without cause;
- our stockholders have no right to act by written consent;
- our stockholders have no right to call a special meeting of stockholders; and
- our stockholders must comply with advance notice requirements to nominate directors or submit proposals for consideration at stockholder meetings.

These provisions could also have the effect of discouraging others from making tender offers for our common stock. As a result, these provisions might prevent the market price of our common stock from increasing substantially in response to actual or rumored takeover attempts. These provisions might also prevent changes in our management.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our executive offices, our principal administration, marketing and sales operations and a portion of our research and development operations are located in a 44,277 square foot facility in Sunnyvale, California, which we purchased in fiscal 2010. In addition, we occupy approximately 25,250 square feet in a facility located in Hsin Chu, Taiwan under a lease expiring in August 2023. This facility supports our manufacturing activities. We believe that both our Sunnyvale and Taiwan facilities are adequate for our needs for the foreseeable future. We also lease space in the United States in the states of Georgia and Texas and in Israel. The aggregate annual gross rent for our leased facilities was approximately \$767,000 in fiscal 2021.

Item 3. *Legal Proceedings*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information, Holders of Common Stock and Dividends

Our common stock is traded on the Nasdaq Global Market under the symbol "GSIT".

On May 31, 2021, there were approximately 20 holders of record of our common stock. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial holders of our common stock represented by these record holders.

We have never declared or paid cash dividends on our common stock, and we do not anticipate declaring or paying any cash dividends in the foreseeable future.

Issuer Purchases of Equity Securities

Our Board of Directors has authorized us to repurchase, at management's discretion, shares of our common stock. Under the repurchase program, we may repurchase shares from time to time on the open market or in private transactions. The specific timing and amount of the repurchases will be dependent on market conditions, securities law limitations and other factors. The repurchase program may be suspended or terminated at any time without prior notice. During the quarter ended March 31, 2021, we did not repurchase any of our shares under the repurchase program.

Item 6. Selected Financial Data

You should read the following selected consolidated financial data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this report. The selected consolidated statements of operations data set forth below for the fiscal years ended March 31, 2021, 2020 and 2019 and the selected consolidated balance sheet data as of March 31, 2021 and 2020 are derived from, and are qualified by reference to, our audited consolidated financial statements included elsewhere in this report. The selected consolidated statements of operations data set forth below for the fiscal years ended March 31, 2018 and 2017 and the selected consolidated balance sheet data as of March 31, 2019, 2018 and 2017 are derived from audited consolidated financial statements not included in this report.

	Fiscal Year Ended March 31,				
	2021	2020	2019	2018	2017
	(In thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenues.	\$ 27,729	\$ 43,343	\$ 51,486	\$ 42,643	\$ 48,180
Cost of revenues.	14,512	18,000	19,858	20,217	21,764
Gross profit	13,217	25,343	31,628	22,426	26,416
Operating expenses:					
Research and development	23,344	25,223	21,355	16,998	15,803
Selling, general and administrative.	11,137	10,922	10,455	9,899	11,140
Total operating expenses	34,481	36,145	31,810	26,897	26,943
Loss from operations	(21,264)	(10,802)	(182)	(4,471)	(527)
Interest and other income	94	712	450	409	478
Income (loss) before income taxes	(21,170)	(10,090)	268	(4,062)	(49)
Provision for income taxes	335	247	105	453	66
Net income (loss).	<u>\$ (21,505)</u>	<u>\$ (10,337)</u>	<u>\$ 163</u>	<u>\$ (4,515)</u>	<u>\$ (115)</u>
Basic and diluted net income (loss) per share available to common stockholders:					
Basic	<u>\$ (0.91)</u>	<u>\$ (0.45)</u>	<u>\$ 0.01</u>	<u>\$ (0.21)</u>	<u>\$ (0.01)</u>
Diluted.	<u>\$ (0.91)</u>	<u>\$ (0.45)</u>	<u>\$ 0.01</u>	<u>\$ (0.21)</u>	<u>\$ (0.01)</u>
Weighted average shares used in per share calculations:					
Basic	23,671	22,968	21,889	21,085	20,652
Diluted.	23,671	22,968	23,349	21,085	20,652
	March 31,				
	2021	2020	2019	2018	2017
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	\$ 53,951	\$ 66,567	\$ 61,841	\$ 58,365	\$ 49,935
Working capital	55,984	70,853	68,632	63,867	57,798
Total assets	87,612	102,561	106,223	99,540	102,595
Total stockholders' equity	75,592	89,641	93,155	86,815	86,444

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ substantially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this report. The following discussion should be read together with our consolidated financial statements and the related notes included elsewhere in this report.

Overview

We are a fabless semiconductor company that designs, develops and markets static random access memories, or SRAMs, that operate at speeds of less than 10 nanoseconds, which we refer to as Very Fast SRAMs, primarily for the networking and telecommunications markets. We are subject to the highly cyclical nature of the semiconductor industry, which has experienced significant fluctuations, often in connection with fluctuations in demand for the products in which semiconductor devices are used. Our revenues have been substantially impacted by significant fluctuations in sales to our largest customer, Nokia. We expect that future direct and indirect sales to Nokia will continue to fluctuate significantly on a quarterly basis. The networking and telecommunications market has accounted for a significant portion of our net revenues in the past and has declined during the past several years and is expected to continue to decline. In recent years we have devoted significant resources to the development of our new APU product. However, with no debt and substantial liquidity, we believe we are in a better financial position than many other companies of our size.

The COVID-19 pandemic has affected many of the countries in which we, our customers, our suppliers and our other business partners conduct business. Governments in affected regions have implemented, and may continue to implement, safety precautions which include quarantines, travel restrictions, business closures, cancellations of public gatherings and other measures as they deem necessary. Many organizations and individuals, including the Company and our employees, are taking additional steps to avoid or reduce infection, including limiting travel and working from home. These measures are disrupting normal business operations both in and outside of affected areas and have had significant negative impacts on businesses and financial markets worldwide. While expected to be temporary, these disruptions negatively impacted our revenue, results of operations, financial condition, and liquidity in fiscal year 2021, and are expected to continue to negatively impact us in fiscal 2022.

We continue to monitor our operations and government recommendations and have made modifications to our normal operations because of the COVID-19 global pandemic. We have instituted many preventative measures and are regularly evaluating those measures and others as we continue to better understand our current and future operating environment. Since March 2020, except for our employees located in Taiwan, the majority of our employees have worked from home around the world. In May 2021, with the surge in COVID-19 infections in Taiwan, our employees in Taiwan have begun working from home under alternating schedules. We have maintained a substantial portion of our manufacturing operational capacity at our primary manufacturing support facility located in Hsin Chu, Taiwan where our suppliers are located and all of our products are manufactured. Since the outbreak of COVID-19, aside from the lengthening of lead times for wafers and assembly services, we have experienced minimal impact, and continue to experience minimal impact, on our manufacturing operations in Taiwan. Final testing of our product is conducted in house. Shipping and receiving operations at our United States headquarters are being maintained by a skeleton crew with minimal impact. Our revenues have been and are expected to continue to be impacted by changes in customer buying patterns and communication limitations related to COVID-19 restrictions that require a significant number of our customer contacts to work from home. Our results for the fiscal year ended March 31, 2021 demonstrate the challenges that we are facing during the COVID-19 global pandemic, which has restricted the activities of our sales force and distributors, reduced customer demand and caused the postponement of investment in certain customer sectors. These challenges are also impacting us as we enter new

markets and engage with target customers to sell our new APU product. Industry conferences and on-site training workshops, which are typically used for building a sales pipeline, are unavailable due to COVID-19 related restrictions. We have adapted our sales strategies for the COVID-19 environment, where we cannot do face-to-face meetings and conduct secure meetings with government and defense customers, but we are still not operating at an optimal level.

The disruption to the marketplace resulting from the COVID-19 global pandemic that we are currently experiencing is unlike anything we have ever had to deal with. While we continue to monitor the business metrics that we have historically used to predict our financial performance, we are uncertain as to whether these metrics will operate consistently with our historical experience.

As of March 31, 2021, we had cash, cash equivalents, and short-term and long-term investments of \$59.7 million, with no debt. We have a team in-place with tremendous depth and breadth of experience and knowledge, with a legacy business that is providing an ongoing source of funding for the development of new product lines. We have a strong balance sheet and liquidity position that we anticipate will provide financial flexibility and security in the current environment of economic uncertainty with no current expectations of additional cash infusions required. Generally, our primary source of liquidity is cash equivalents and short-term investments. Our level of cash equivalents and short-term investments has historically been sufficient to meet our operating and capital needs. We believe that during the next 12 months the COVID-19 global pandemic could continue to impact general economic activity and demand in our end markets. Although it is difficult to estimate the length or gravity of the impact of the COVID-19 outbreak, if the pandemic continues, it may have an adverse effect on our results of operations, financial position, including potential impairments, and liquidity in fiscal year 2022.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted to provide emergency economic stimulus in response to the COVID-19 global pandemic. The CARES Act includes aid to small businesses in the form of loans and grants, and other efforts to stabilize the U.S. economy. The Consolidated Appropriations Act (“CAA”) which was signed into law in 2020 extended some of the CARES Act programs along with adding new stimulus provisions. In March 2021, the American Rescue Plan Act of 2021 (“ARPA”) was also passed which further extended several CARES Act relief programs and other assistance. We have not filed, and do not intend to file, for funding related to the CARES Act, CAA or ARPA due to our strong balance sheet and liquidity position with \$59.7 million in cash and cash equivalents, short-term investments and long-term investments and no debt outstanding. We currently have no plans to defer payroll taxes, to layoff or furlough employees or to modify leases and stock compensation plans. Also included in the CARES Act are numerous income tax provisions including changes to the net operating loss. During fiscal year 2021, we recorded a \$378,000 tax benefit resulting from the carryback of our fiscal year 2020 federal net operating loss to fiscal year 2018 due to the five-year net operating loss carryback provision from the March 2020 CARES Act. We believe that the CAA and ARPA will not have a significant impact on us.

Revenues. Our revenues are derived primarily from sales of our Very Fast SRAM products. Sales to networking and telecommunications OEMs accounted for 50% to 55% of our net revenues during our last three fiscal years. We also sell our products to OEMs that manufacture products for military and aerospace applications such as radar and guidance systems, missiles and satellites, for professional audio applications such as sound mixing systems, for test and measurement applications such as high-speed testers, for automotive applications such as smart cruise control and voice recognition systems, and for medical applications such as ultrasound and CAT scan equipment.

As is typical in the semiconductor industry, the selling prices of our products generally decline over the life of the product. Our ability to increase net revenues, therefore, is dependent upon our ability to increase unit sales volumes of existing products and to introduce and sell new products with higher average selling prices in quantities

sufficient to compensate for the anticipated declines in selling prices of our more mature products. Although we expect the average selling prices of individual products to decline over time, we believe that, over the next several quarters, our overall average selling prices will increase due to a continuing shift in product mix to a higher percentage of higher price, higher density products, and to a lesser extent, recent price increases to our customers due to supply constraints. Our ability to increase unit sales volumes is dependent primarily upon increases in customer demand but, particularly in periods of increasing demand, can also be affected by our ability to increase production through the availability of increased wafer fabrication capacity from TSMC, our wafer supplier, and our ability to increase the number of good integrated circuit die produced from each wafer through die size reductions and yield enhancement activities.

We may experience fluctuations in quarterly net revenues for a number of reasons. Historically, orders on hand at the beginning of each quarter are insufficient to meet our revenue objectives for that quarter and are generally cancelable up to 30 days prior to scheduled delivery. Accordingly, we depend on obtaining and shipping orders in the same quarter to achieve our revenue objectives. In addition, the timing of product releases, purchase orders and product availability could result in significant product shipments at the end of a quarter. Failure to ship these products by the end of the quarter may adversely affect our operating results. Furthermore, our customers may delay scheduled delivery dates and/or cancel orders within specified timeframes without significant penalty.

We sell our products through our direct sales force, international and domestic sales representatives and distributors. Our revenues have been and are expected to continue to be impacted by changes in customer buying patterns and communication limitations related to COVID-19 restrictions that require a significant number of our customer contacts to work from home. The majority of our customer contracts, which may be in the form of purchase orders, contracts or purchase agreements, contain performance obligations for delivery of agreed upon products. Delivery of all performance obligations contained within a contract with a customer typically occurs at the same time (or within the same accounting period). Transfer of control typically occurs at the time of shipment or at the time the product is pulled from consignment as that is the point at which delivery has occurred, title and the risks and rewards of ownership have passed to the customer, and we have a right to payment. Thus, we will generally recognize revenue upon shipment of the product. Sales to consignment warehouses, who purchase products from us for use by contract manufacturers, are recorded upon delivery to the contract manufacturer.

Historically, a small number of OEM customers have accounted for a substantial portion of our net revenues, and we expect that significant customer concentration will continue for the foreseeable future. Many of our OEMs use contract manufacturers to manufacture their equipment. Accordingly, a significant percentage of our net revenues is derived from sales to these contract manufacturers and to consignment warehouses. In addition, a significant portion of our sales are made to foreign and domestic distributors who resell our products to OEMs, as well as their contract manufacturers. Direct sales to contract manufacturers and consignment warehouses accounted for 43.7%, 33.7% and 41.3% of our net revenues for fiscal 2021, 2020 and 2019, respectively. Sales to foreign and domestic distributors accounted for 54.7%, 61.3% and 56.0% of our net revenues for fiscal 2021, 2020 and 2019, respectively. The following direct customers accounted for 10% or more of our net revenues in one or more of the following periods:

	Fiscal Year Ended		
	March 31,		
	2021	2020	2019
Contract manufacturers and consignment warehouses:			
Flextronics Technology	21.1 %	14.8 %	21.8 %
Sanmina	21.5	17.4	17.7
Distributors:			
Avnet Logistics	29.8	34.3	31.3
Nexcomm.	14.7	15.1	14.8

Nokia was our largest customer in fiscal 2021, 2020 and 2019. Nokia purchases products directly from us and through contract manufacturers and distributors. Based on information provided to us by its contract manufacturers and our distributors, purchases by Nokia represented approximately 39%, 38% and 45% of our net revenues in fiscal 2021, 2020 and 2019, respectively. Our revenues have been substantially impacted by significant fluctuations in sales to Nokia, and we expect that future direct and indirect sales to Nokia will continue to fluctuate substantially on a quarterly basis and that such fluctuations may significantly affect our operating results in future periods. To our knowledge, none of our other OEM customers accounted for more than 10% of our net revenues in fiscal 2021, 2020 or 2019.

Cost of Revenues. Our cost of revenues consists primarily of wafer fabrication costs, wafer sort, assembly, test and burn-in expenses, the amortized cost of production mask sets, stock-based compensation and the cost of materials and overhead from operations. All of our wafer manufacturing and assembly operations, and a significant portion of our wafer sort testing operations, are outsourced. Accordingly, most of our cost of revenues consists of payments to TSMC and independent assembly and test houses. Because we do not have long-term, fixed-price supply contracts, our wafer fabrication, assembly and other outsourced manufacturing costs are subject to the cyclical fluctuations in demand for semiconductors. Cost of revenues also includes expenses related to supply chain management, quality assurance, and final product testing and documentation control activities conducted at our headquarters in Sunnyvale, California and our branch operations in Taiwan.

Gross Profit. Our gross profit margins vary among our products and are generally greater on our higher density products and, within a particular density, greater on our higher speed and industrial temperature products. We expect that our overall gross margins will fluctuate from period to period as a result of shifts in product mix, changes in average selling prices and our ability to control our cost of revenues, including costs associated with outsourced wafer fabrication and product assembly and testing.

Research and Development Expenses. Research and development expenses consist primarily of salaries and related expenses for design engineers and other technical personnel, the cost of developing prototypes, stock-based compensation and fees paid to consultants. We charge all research and development expenses to operations as incurred. We charge mask costs used in production to cost of revenues over a 12-month period. However, we charge costs related to pre-production mask sets, which are not used in production, to research and development expenses at the time they are incurred. These charges often arise as we transition to new process technologies and, accordingly, can cause research and development expenses to fluctuate on a quarterly basis. We believe that continued investment in research and development is critical to our long-term success, and we expect to continue to devote significant resources to product development activities. In particular, we are devoting substantial resources to the development of a new category of in-place associative computing products. Accordingly, we expect that our research and development expenses will continue to be substantial in future periods and may lead to operating losses in some periods. Such expenses as a percentage of net revenues may fluctuate from period to period.

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist primarily of commissions paid to independent sales representatives, salaries, stock-based compensation and related expenses for personnel engaged in sales, marketing, administrative, finance and human resources activities, professional fees, costs associated with the promotion of our products and other corporate expenses. We expect that our sales and marketing expenses will increase in absolute dollars in future periods if we are able to grow and expand our sales force but that, to the extent our revenues increase in future periods, these expenses will generally decline as a percentage of net revenues. We also expect that, in support of any future growth that we are able to achieve, general and administrative expenses will generally increase in absolute dollars.

Acquisition

On November 23, 2015, we acquired all of the outstanding capital stock of privately held MikaMonu Group Ltd. (“MikaMonu”), a development-stage, Israel-based company that specialized in in-place associative computing for markets including big data, computer vision and cyber security. MikaMonu, located in Tel Aviv, held 12 United States patents and had a number of pending patent applications.

The acquisition was undertaken in order to gain access to the MikaMonu patents and the potential markets, and new customer base in those markets, that can be served by new products that we are developing using the in-place associative computing technology.

The acquisition has been accounted for as a purchase under authoritative guidance for business combinations. The purchase price of the acquisition was allocated to the intangible assets acquired, with the excess of the purchase price over the fair value of assets acquired recorded as goodwill. We perform a goodwill impairment test near the end of each fiscal year.

Under the terms of the acquisition agreement, we paid the former MikaMonu shareholders initial cash consideration of approximately \$4.9 million. We are also required to pay the former MikaMonu shareholders future contingent consideration consisting of retention payments and “earnout” payments, as described below.

We also made cash retention payments totaling \$2.5 million to the three former MikaMonu shareholders, conditioned on the continued employment of Dr. Avidan Akerib, MikaMonu’s co-founder and chief technologist. Retention payments of \$743,000, \$750,000 and \$1.0 million were paid to the former MikaMonu shareholders during the quarters ended December 31, 2017, 2018 and 2019, respectively. We are not required to make any further retention payments.

We will also make “earnout” payments to the former MikaMonu shareholders in cash or shares of our common stock, at our discretion, during a period of up to ten years following the closing if certain product development milestones and revenue targets for products based on the MikaMonu technology are achieved. Earnout amounts of \$750,000 were paid in the fiscal year ended March 31, 2019 based on the achievement of certain product development milestones. An earnout amount of \$4.0 million will be payable if certain revenue milestones are achieved by January 1, 2022; and additional payments, up to a maximum of \$30.0 million, equal to 5% of net revenues from the sale of qualifying products in excess of certain thresholds, will be made quarterly through December 31, 2025.

The portion of the retention payment made to Dr. Akerib (approximately \$1.2 million) was recorded as compensation expense over the period that his services were provided to us. The portion of the retention payment made to the other former MikaMonu shareholders (approximately \$1.3 million) plus the maximum amount of the potential earnout payments totals approximately \$36.0 million at March 31, 2021. We determined that the fair value of this contingent consideration liability was \$5.8 million at the acquisition date. The contingent consideration liability is included in contingent consideration, non-current on the Consolidated Balance Sheet at March 31, 2020 and 2021 in the amount of \$3.9 million and \$4.2 million, respectively.

At each reporting period, the contingent consideration liability will be re-measured at then current fair value with changes recorded in the Consolidated Statements of Operations. Changes in any of the inputs may result in significant adjustments to the recorded fair value. Re-measurement of the contingent consideration liability at March 31, 2021 resulted in an increase of the contingent consideration liability of \$229,000.

The allocation of the purchase price to acquired identifiable intangible assets and goodwill was based on their estimated fair values at the date of acquisition. The fair value allocated to patents was \$3.5 million and the residual value allocated to goodwill was \$8.0 million.

Results of Operations

The following table sets forth statement of operations data as a percentage of net revenues for the periods indicated:

	Year Ended March 31,		
	2021	2020	2019
Net revenues.....	100.0 %	100.0 %	100.0 %
Cost of revenues.....	52.3	41.5	38.6
Gross profit	47.7	58.5	61.4
Operating expenses:			
Research and development.....	84.2	58.2	41.5
Selling, general and administrative	40.2	25.2	20.3
Total operating expenses	124.4	83.4	61.8
Loss from operations.....	(76.7)	(24.9)	(0.4)
Interest and other income, net.....	0.3	1.6	0.9
Income (loss) before income taxes.....	(76.4)	(23.3)	0.5
Provision for income taxes	1.2	0.6	0.2
Net income (loss).....	(77.6)	(23.9)	0.3

Fiscal Year Ended March 31, 2021 Compared to Fiscal Year Ended March 31, 2020

Net Revenues. Net revenues decreased by 36.0% from \$43.3 million in fiscal 2020 to \$27.7 million in fiscal 2021. The overall average selling price of all units shipped in fiscal 2021 decreased by 5.5% in fiscal 2021 compared to the prior fiscal year.

Net revenues in fiscal 2021 were impacted by the COVID-19 global pandemic. Our net revenues in fiscal 2021 year demonstrate the challenges that we are facing during the COVID-19 global pandemic, which has restricted the activities of our sales force and distributors, reduced customer demand and caused the postponement of investment in certain customer sectors. These challenges are also impacting us as we enter new markets and engage with target customers. Industry conferences and on-site training workshops, which are typically used for building a sales pipeline, are unavailable due to COVID-19 related restrictions. We have adapted our sales strategies for the COVID-19 environment as there are limitations with both in-person and virtual meetings, particularly, government and defense customers with regards to secure teleconferencing. However, we are still not operating at an optimal level.

Units shipped declined 30.9% in fiscal 2021 compared to fiscal 2020. The networking and telecommunications markets represented 53% and 50% of shipments in fiscal 2021 and in fiscal 2020, respectively. Direct and indirect sales to Nokia, currently our largest customer, decreased by \$5.4 million from \$16.3 million in fiscal 2020 to \$10.9 million fiscal 2021. Shipments of our SigmaQuad product line accounted for 56.7% of total shipments in fiscal 2021 compared to 60.8% of total shipments in fiscal 2020. The decrease in SigmaQuad shipments was primarily due to the decreased sales to Nokia.

We currently expect that net revenues will fluctuate in the future, from period-to-period, based on evolving customer demand for existing products, the pace of adoption of newer products, and macroeconomic conditions. Further, due to heightened volatility and uncertainty in customer demand resulting from the COVID-19 global

pandemic, we may experience decreased sales and revenues. We believe such impact may in particular affect our direct and indirect sales of Very Fast SRAMs to Nokia and our other key OEM customers.

Cost of Revenues. Cost of revenues decreased by 19.4% from \$18.0 million in fiscal 2020 to \$14.5 million in fiscal 2021. Cost of revenues included a provision for excess and obsolete inventories of \$343,000 in fiscal 2020 compared to \$466,000 in fiscal 2021. Cost of revenues included stock-based compensation expense of \$346,000 and \$257,000, respectively, in fiscal 2021 and fiscal 2020.

Gross Profit. Gross profit decreased by 47.8% from \$25.3 million in fiscal 2020 to \$13.2 million in fiscal 2021. Gross margin decreased from 58.5% in fiscal 2020 to 47.7% in fiscal 2021. The change in gross profit is primarily related to the change in net revenues discussed above. The decrease in gross margin was primarily related to changes in the mix of products and customers and changes in the level of charges for inventory reserves booked in each period.

Research and Development Expenses. Research and development expenses decreased 7.5% from \$25.2 million in fiscal 2020 to \$23.3 million in fiscal 2021. The decrease in research and development spending was primarily related to a decrease of \$2.7 million for purchased intellectual property and a lesser decrease in consulting expenses partially offset by lesser increases in payroll related expenses, patent related legal fees and software maintenance expenses. Research and development expenses included stock-based compensation expense of \$1.5 million in fiscal 2021 and fiscal 2020.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 2.0% from \$10.9 million in fiscal 2020 to \$11.1 million in fiscal 2021. Increases in professional fees, stock-based compensation expense, payroll related expenses and the remeasurement of contingent consideration were partially offset by decreases in independent sales representative commissions and travel expenses. Selling, general and administrative expenses included stock-based compensation expense of \$999,000 and \$822,000, respectively, in fiscal 2021 and fiscal 2020.

Interest and Other Income (Expense), Net. Interest and other income (expense), net decreased 86.8% from \$712,000 in fiscal 2020 to \$94,000 in fiscal 2021. Interest income decreased by \$483,000 due to lower interest rates received on cash and short-term and long-term investments. The foreign currency exchange loss increased from (\$66,000) in fiscal 2020 to (\$201,000) in fiscal 2021. The exchange loss in each period was primarily related to our Taiwan branch operations and operations in Israel.

Provision for Income Taxes. The provision for income taxes was \$247,000 in fiscal 2020 compared to \$335,000 in fiscal 2021. The increase in fiscal 2021 compared to fiscal 2020 was primarily due to the settlement of an income tax audit in Israel during the quarter ended June 30, 2020 for fiscal years 2016 through fiscal 2019 which resulted in a discrete tax provision of \$479,000, a tax benefit in fiscal 2021 in the amount of \$378,000 resulting from the carryback of the Company's fiscal year 2020 federal net operating loss to fiscal year 2018 due to the five year net operating loss carryback provision from the March 2020 CARES Act, and to a lesser extent due to fluctuations in the relative mix of income among our operating jurisdictions. Because we recorded a cumulative three-year loss on a U.S. tax basis for the year ended March 31, 2021 and the realization of our deferred tax assets is questionable, we recorded a tax provision reflecting a valuation allowance of \$13.0 million in net deferred tax assets in fiscal 2021. Reductions in uncertain tax benefits due to lapses in the statute of limitations were not significant in the years ended March 31, 2021 and 2020.

Net Income (Loss). Net loss was (\$10.3) million in fiscal 2020 compared to a net loss of (\$21.5) million in fiscal 2021. This increase was primarily due to the changes in net revenues, gross profit and operating expenses discussed above.

Fiscal Year Ended March 31, 2020 Compared to Fiscal Year Ended March 31, 2019

Net Revenues. Net revenues decreased by 15.8% from \$51.5 million in fiscal 2019 to \$43.3 million in fiscal 2020. The overall average selling price of all units shipped in fiscal 2020 decreased by 0.8% in fiscal 2020 compared to the prior fiscal year. Units shipped declined 14.7% in fiscal 2020 compared to fiscal 2019. The networking and telecommunications markets represented 50% and 55% of shipments in fiscal 2020 and in fiscal 2019, respectively. Direct and indirect sales to Nokia, currently our largest customer, decreased by \$6.8 million from \$23.1 million in fiscal 2019 to \$16.3 million fiscal 2020. Shipments of our SigmaQuad product line accounted for 60.8% of total shipments in fiscal 2020 compared to 63.6% of total shipments in fiscal 2019. The decrease in SigmaQuad shipments was primarily due to the decreased sales to Nokia.

We currently expect that net revenues will fluctuate in the future, from period-to-period, based on evolving customer demand for existing products, the pace of adoption of newer products, and macroeconomic conditions. Further, due to heightened volatility and uncertainty in customer demand resulting from the COVID-19 global pandemic, we may experience decreased sales and revenues. We believe such impact may in particular affect our direct and indirect sales of Very Fast SRAMs to Nokia and our other key OEM customers.

Cost of Revenues. Cost of revenues decreased by 9.4% from \$19.9 million in fiscal 2019 to \$18.0 million in fiscal 2020. Cost of revenues included a provision for excess and obsolete inventories of \$1.2 million in fiscal 2019 compared to \$343,000 in fiscal 2020. Cost of revenues included stock-based compensation expense of \$257,000 and \$234,000, respectively, in fiscal 2020 and fiscal 2019.

Gross Profit. Gross profit decreased by 19.9% from \$31.6 million in fiscal 2019 to \$25.3 million in fiscal 2020. Gross margin decreased from 61.4% in fiscal 2019 to 58.5% in fiscal 2020. The decrease in gross margin was primarily related to changes in the mix of products and customers and the reduction in the provision for excess and obsolete inventories in fiscal 2020 compared to fiscal 2019 discussed above.

Research and Development Expenses. Research and development expenses increased 18.1% from \$21.4 million in fiscal 2019 to \$25.2 million in fiscal 2020. The increase was primarily due to increases of \$2.7 million for purchased intellectual property with no alternative future use, \$882,000 in consulting and prototype development fees, \$712,000 in payroll related expenses and \$177,000 in stock-based compensation expense that were primarily offset by a decrease of \$986,000 in non-production mask sets, all related to our associative processing development activities. Research and development expenses included stock-based compensation expense of \$1.5 million and \$1.3 million, respectively, in fiscal 2020 and fiscal 2019.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 4.5% from \$10.5 million in fiscal 2019 to \$10.9 million in fiscal 2020. This increase was primarily related to an increase in the re-measurement of the contingent consideration liability related to our acquisition of MikaMonu which resulted in an increase of the liability of \$193,000 in fiscal 2020 compared to a reduction of \$179,000 in fiscal 2019, for a year over year increase in expenses of \$372,000. Lesser increases in professional fees and stock-based compensation expenses were offset by a decrease in independent sales representative commissions. Selling, general and administrative expenses included stock-based compensation expense of \$822,000 and \$722,000, respectively, in fiscal 2020 and fiscal 2019.

Interest and Other Income (Expense), Net. Interest and other income (expense), net increased 58.2% from \$450,000 in fiscal 2019 to \$712,000 in fiscal 2020. Interest income increased by \$107,000 due to higher interest rates received on cash and short-term and long-term investments. The foreign currency exchange loss decreased from (\$221,000) in fiscal 2019 to (\$66,000) in fiscal 2020. The exchange loss in each period was primarily related to our Taiwan branch operations and operations in Israel.

Provision for Income Taxes. The provision for income taxes was \$105,000 in fiscal 2019 compared to \$247,000 in fiscal 2020. This change was primarily due to fluctuations in the relative mix of income among our operating jurisdictions. Because we recorded a cumulative three-year loss on a U.S. tax basis for the year ended March 31, 2020 and the realization of our deferred tax assets is questionable, we recorded a tax provision reflecting a valuation allowance of \$9.4 million in net deferred tax assets in fiscal 2020. Reductions in uncertain tax benefits due to lapses in the statute of limitations were not significant in the years ended March 31, 2020 and 2019.

Net Income (Loss). Net income was \$163,000 in fiscal 2019 compared to a net loss of (\$10.3) million in fiscal 2020. This decrease was primarily due to the changes in net revenues, gross profit and operating expenses discussed above.

Liquidity and Capital Resources

As of March 31, 2021, our principal sources of liquidity were cash, cash equivalents and short-term investments of \$54.0 million compared to \$66.6 million as of March 31, 2020. Cash, cash equivalents and short-term investments totaling \$31.1 million were held in foreign locations as of March 31, 2021. Net cash used in operating activities was \$15.3 million and \$4.7 million for fiscal 2021 and fiscal 2020, respectively, compared to net cash provided by operating activities of \$3.0 million for fiscal 2019. The primary use of cash in fiscal 2021 was the net loss of \$21.5 million. The primary sources of cash in fiscal 2021 were non-cash items including stock-based compensation of \$2.9 million and depreciation and amortization expenses of \$1.2 million and a provision for excess and obsolete inventories of \$466,000 and a decrease in accounts receivable of \$2.6 million. Accounts receivable decreased primarily due to the decreased level of shipments during the fourth quarter of fiscal 2021 compared to the prior year and the timing of shipments during the quarter. The primary use of cash in fiscal 2020 was the net loss of \$10.3 million. The primary sources of cash in fiscal 2020 were non-cash items including stock-based compensation of \$2.6 million, depreciation and amortization expenses of \$1.4 million and a provision for excess and obsolete inventories of \$343,000, a decrease in inventories of \$1.1 million and a decrease of \$1.0 million in accounts receivable. Accounts receivable decreased primarily due to the decreased level of shipments during the fourth quarter of fiscal 2020 compared to the prior year. The primary sources of cash in fiscal 2019 were an increase in accrued expenses and other liabilities of \$1.5 million and non-cash items including stock-based compensation of \$2.3 million, depreciation and amortization expenses of \$1.5 million and a provision for excess and obsolete inventories of \$1.2 million. Accrued expenses and other liabilities increased primarily due to increased levels of compensation related accruals in fiscal 2019 compared to the prior year. The primary uses of cash in fiscal 2019 were increases in accounts receivable of \$2.1 million and inventory of \$1.3 million. Accounts receivable increased primarily due to the timing of payments received from customers and the increased level of shipments during fourth quarter of fiscal 2019 compared to the prior year.

Net cash provided by investing activities was \$3.3 million and \$10.0 million in fiscal 2021 and 2020, respectively, compared to net cash used in investing activities of \$3.5 million in fiscal 2019. Investment activities in fiscal 2021 primarily consisted of the maturity of certificates of deposit, supranational obligations and agency bonds of \$21.0 million partially offset by the purchase of certificates of deposit, supranational obligations and agency bonds of \$17.5 million. Investment activities in fiscal 2020 primarily consisted of the maturity of supranational obligations, agency bonds and certificates of deposit of \$27.4 million and a reduction in the MikaMonu escrow deposits of \$1.0 million, partially offset by the purchase of certificates of deposit and agency bonds of \$18.1 million. Investment activities in fiscal 2019 primarily consisted of the purchase of agency bonds and certificates of deposit of \$20.3 million and the purchase of property and equipment of \$2.1 million, partially offset by the maturity of agency bonds and certificates of deposit of \$18.2 million and a reduction in the MikaMonu escrow deposits of \$750,000.

Cash provided by financing activities in fiscal 2021, fiscal 2020 and fiscal 2019 primarily consisted of the net proceeds from the sale of common stock pursuant to our employee stock plans. Cash used in financing activities in

fiscal 2020 and fiscal 2019 included the release of escrow deposits related to our acquisition of MikaMonu in November 2015 in the amount of \$428,000 and \$364,000, respectively, and the payment of consideration of \$720,000 in fiscal 2019.

At March 31, 2021, we had total minimum lease obligations of approximately \$731,000 from April 1, 2020 through August 31, 2023, under non-cancelable operating leases for our facilities.

While the unprecedented public health and governmental efforts to contain the spread of COVID-19 have created significant uncertainty as to general economic and capital market conditions for the remainder of 2021 and beyond, we believe that our existing balances of cash, cash equivalents and short-term investments, and cash flow expected to be generated from our future operations, will be sufficient to meet our cash needs for working capital and capital expenditures for at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time. Our future capital requirements will depend on many factors, including the rate of revenue growth that we experience, the extent to which we utilize subcontractors, the levels of inventory and accounts receivable that we maintain, the timing and extent of spending to support our product development efforts and the expansion of our sales and marketing efforts. A material adverse impact from the COVID-19 global pandemic could result in a need to raise additional capital or incur additional indebtedness to fund strategic initiatives or operating activities, particularly if we pursue additional acquisitions of businesses, products or technologies. We cannot assure you that additional equity or debt financing, if required, will be available on terms that are acceptable or at all.

Contractual Obligations

The following table describes our contractual obligations as of March 31, 2021:

	Payments due by period (in thousands)				Total
	Up to 1 year	1 - 3 years	3 - 5 years	More than 5 years	
Facilities and software leases	\$ 383	\$ 348	\$ —	\$ —	\$ 731
Wafer, software and test purchase obligations . .	2,119	—	—	—	2,119
	<u>\$ 2,502</u>	<u>\$ 348</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,850</u>

As of March 31, 2021, the current portion of our unrecognized tax benefits was \$0, and the long-term portion was \$0.

In connection with the acquisition of MikaMonu on November 23, 2015, we are required to make contingent consideration payments to the former MikaMonu shareholders conditioned upon the achievement of certain revenue targets for products based on the MikaMonu technology. As of March 31, 2021, the accrual for potential payment of contingent consideration was \$4.2 million.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States (“GAAP”) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are inherent in the preparation of the consolidated financial statements and include estimates affecting revenue recognition, obsolete and excess inventory, the valuation allowance on deferred tax assets, stock-based compensation expense, contingent consideration and the valuation of intangibles and goodwill. We believe that we consistently apply these judgments and estimates and that our financial statements and accompanying notes fairly represent our financial results for all periods presented. However, any errors in these

judgments and estimates may have a material impact on our balance sheet and statement of operations. Critical accounting estimates, as defined by the Securities and Exchange Commission, are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult and subjective judgments and estimates of matters that are inherently uncertain. Our critical accounting estimates include those regarding revenue recognition, the valuation of inventories, accounting for income taxes, stock-based compensation expense, contingent consideration and the valuation of intangibles and goodwill.

Revenue Recognition. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

The majority of our customer contracts, which may be in the form of purchase orders, contracts or purchase agreements, contain performance obligations for delivery of agreed upon products. Delivery of all performance obligations contained within a contract with a customer typically occurs at the same time (or within the same accounting period). Transfer of control typically occurs at the point at which delivery has occurred, title and the risks and rewards of ownership have passed to the customer, and the Company has a right to payment. For all transactions apart from consignment sales, the Company will generally recognize revenue upon shipment of the product. For consignment sales, revenue is recognized at the time that the product is pulled from consignment warehouses.

Because all our performance obligations relate to contracts with a duration of less than one year, we elected to apply the optional exemption practical expedient provided in Topic 606 and, therefore, are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

We adjust the transaction price for variable consideration. Variable consideration is not typically significant and primarily results from stock rotation rights and quick pay discounts provided to our distributors. As a practical expedient, we recognize the incremental costs of obtaining a contract, specifically commission expenses that have a period of benefit of less than twelve months, as an expense when incurred. Additionally, we have adopted an accounting policy to recognize shipping costs that occur after control transfers to the customer as a fulfillment activity.

Our contracts with customers do not typically include extended payment terms. Payment terms vary by contract type and type of customer and generally range from 30 to 60 days from shipment. Additionally, we have a right to payment upon shipment.

We record revenue net of sales tax, value added tax, excise tax and other taxes collected concurrent with product sales. The impact of such taxes on products sales is immaterial. We have also elected to recognize the cost for freight and shipping when control over the products sold passes to customers and revenue is recognized.

Valuation of Inventories. Inventories are stated at the lower of cost or net realizable value, cost being determined on a weighted average basis. Our inventory write-down allowance is established when conditions indicate that the selling price of our products could be less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. We consider the need to establish the allowance for excess inventory generally based on inventory levels in excess of 12 months of forecasted demand for each specific product. Inventory consists of finished goods at our premises or consignment warehouses, work in progress at our premises or our contract manufacturers and finished goods at distributors that have stock rotation rights and takes into account any un-cancellable purchase commitments. Historically, it has been difficult to forecast customer demand especially at the part-number level. Many of the orders we receive from our customers and distributors request delivery of product on relatively short notice and with lead times less than our manufacturing cycle time. In order to provide

competitive delivery times to our customers, we build and stock a certain amount of inventory in anticipation of customer demand that may not materialize. Moreover, as is common in the semiconductor industry, we may allow customers to cancel orders with minimal advance notice. Thus, even product built to satisfy specific customer orders may not ultimately be required to fulfill customer demand. Nevertheless, at any point in time, some portion of our inventory is subject to the risk of being materially in excess of our projected demand. Additionally, our average selling prices could decline due to market or other conditions, which creates a risk that costs of manufacturing our inventory may not be recovered. These factors contribute to the risk that we may be required to record additional inventory write-downs in the future, which could be material. In addition, if actual market conditions are more favorable than expected, inventory previously written down may be sold to customers resulting in lower cost of sales and higher income from operations than expected in that period.

Accounting for Income Taxes. We account for income taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. We make certain estimates and judgments in the calculation of tax liabilities and the determination of deferred tax assets, which arise from temporary differences between tax and financial statement recognition methods. We record a valuation allowance to reduce our deferred tax assets to the amount that management estimates is more likely than not to be realized. As of March 31, 2021, our net deferred tax assets of \$13.0 million are subject to a valuation allowance of \$13.0 million. If, in the future we determine that we are likely to realize all or part of our net deferred tax assets, an adjustment to deferred tax assets would be added to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involves inherent uncertainty in the application of complex tax laws. We record tax reserves for additional taxes that we estimate we may be required to pay as a result of future potential examinations by federal and state taxing authorities. If the payment ultimately proves to be unnecessary, the reversal of these tax reserves would result in tax benefits being recognized in the period we determine such reserves are no longer necessary. If an ultimate tax assessment exceeds our estimate of tax liabilities, an additional charge to provision for income taxes will result.

Authoritative guidance prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Under this guidance, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values.

Stock-Based Compensation Expense. Stock-based compensation expense recognized in the statement of operations is based on options ultimately expected to vest, reduced by the amount of estimated forfeitures. We chose the straight-line method of allocating compensation cost over the requisite service period of the related award in accordance with the authoritative guidance. We calculated the expected term based on the historical average period of time that options were outstanding as adjusted for expected changes in future exercise patterns, which, for options granted in fiscal 2021, 2020 and 2019, resulted in an expected term of approximately five years. We used our historical volatility to estimate expected volatility in fiscal 2021, 2020 and 2019. The risk-free interest rate is based on the U.S. Treasury yields in effect at the time of grant for periods corresponding to the expected life of the options. The dividend yield is 0% based on the fact that we have never paid dividends and have no present intention to pay dividends. Determining some of these assumptions requires significant judgment and changes to these assumptions could result in a significant change to the calculation of stock-based compensation in future periods.

Cash flows, if any, resulting from the tax benefits from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) are classified as financing cash flows.

As stock-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. We estimate forfeitures at the time of grant and revise the original estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

We have no stock-based compensation arrangements with non-employees except for stock options granted to our non-employee directors.

Contingent Consideration. The fair value of the contingent consideration liability potentially payable in connection with our acquisition of MikaMonu was initially determined as of the acquisition date using unobservable inputs. These inputs included the estimated amount and timing of future cash flows, the probability of success (achievement of the various contingent events) and a risk-adjusted discount rate to adjust the probability-weighted cash flows to their present value. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability will be re-measured at its then current fair value with changes recorded in the Consolidated Statements of Operations. Changes in any of the inputs may result in material adjustments to the recorded fair value.

Valuation of Goodwill and Intangibles. Goodwill represents the difference between the purchase price and the estimated fair value of the identifiable assets acquired and liabilities assumed in a business combination. We test for goodwill impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset is more likely than not impaired. We have one reporting unit. We assess goodwill for impairment on an annual basis on the last day of February in the fourth quarter of our fiscal year.

As of March 31, 2021, we had a goodwill balance of \$8.0 million. The goodwill resulted from the acquisition of MikaMonu in fiscal 2016.

We completed our annual impairment test during the fourth quarter of fiscal 2021 and concluded that there was no impairment, as the fair value of our sole reporting unit exceeded its carrying value. No triggering event has taken place subsequent to the fiscal 2021 annual assessment. However, a sustained decline in our stock price could constitute a triggering event that would require an interim assessment for potential goodwill impairment in fiscal 2022.

Intangible assets with finite useful lives are amortized over their estimated useful lives, generally on a straight-line basis over five to fifteen years. We review identifiable amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value. Based on the uncertainty of forecasts, unforeseen events such as the failure to generate revenue from the anticipated product launch could result in impairment in the future.

Off-Balance Sheet Arrangements

At March 31, 2021, we did not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Accordingly, we are not exposed to the type of financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Recent Accounting Pronouncements

Please refer to Note 1 to our consolidated financial statements appearing under Part II, Item 8 for a discussion of recent accounting pronouncements that may impact the Company.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Foreign Currency Exchange Risk. Our revenues and expenses, except those expenses related to our operations in Israel and Taiwan, including subcontractor manufacturing expenses in Taiwan, are denominated in U.S. dollars. As a result, we have relatively little exposure for currency exchange risks, and foreign exchange losses have been minimal to date. We do not currently enter into forward exchange contracts to hedge exposure denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. In the future, if we believe our foreign currency exposure has increased, we may consider entering into hedging transactions to help mitigate that risk.

Interest Rate Sensitivity. We had cash, cash equivalents, short term investments and long-term investments totaling \$59.7 million at March 31, 2021. These amounts were invested primarily in money market funds, certificates of deposit and agency bonds. The cash, cash equivalents and short-term marketable securities are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. We believe a hypothetical 100 basis point increase in interest rates would not materially affect the fair value of our interest-sensitive financial instruments. Declines in interest rates, however, will reduce future investment income.

Item 8. *Financial Statements and Supplementary Data*

GSI TECHNOLOGY, INC.

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
GSI Technology, Inc.
Sunnyvale, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of GSI Technology, Inc. (the “Company”) as of March 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended March 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated June 4, 2021 expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its accounting method for accounting for leases in fiscal year 2020 due to the adoption of Topic 842: *Leases* using a modified retrospective approach.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Inventories

As described in Notes 1 and 4 to the consolidated financial statements, the Company's consolidated inventory balance is stated at lower of cost or net realizable value. The valuation of inventories is adjusted by the Company when conditions indicate a decline in value due to obsolescence and is generally adjusted based on estimates for inventory levels in excess of forecasted demand for a specific product. Forecasting customer demand can be challenging due to relatively short order lead times from customers and contract terms allowing customers to cancel orders with minimal advance notice.

We identified the valuation of inventories as a critical audit matter due to the significant judgment and estimates required by management. Determining whether a decline in value has occurred requires management's complex judgments related to: (i) future demand for excess units on hand based on historical sales and expected future orders, and (ii) obsolescence of certain products based on changes in technology and demand. Auditing these judgments was especially challenging and involved subjective auditor judgment to evaluate sales trends and evolving customer demands.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the appropriateness of management's valuation methodology designed to identify potential (i) excess units on hand based on ending inventory quantities compared to recent and forecasted shipment quantities, and (ii) obsolete inventory based on declining shipment trends.
- Challenging the reasonableness of management's assumptions related to future sales by verifying the reliability of current backlog and historical sales data, evaluating fluctuations in demand for certain materials ordered by a limited number of customers, and assessing changes in macroeconomic conditions.

Valuation of Contingent Consideration

As described in Note 14 to the consolidated financial statements, on November 23, 2015, the Company acquired all of the outstanding stock of MikaMonu Group Ltd. ("MikaMonu") for cash and future contingent consideration payable to former MikaMonu shareholders based on the achievement of certain milestones, including development of qualifying products and meeting certain revenue targets from the sale of those products. Since the initial measurement at the acquisition date, the liability has been re-measured to fair value at each reporting period. The inputs used in the valuation include the estimated amount and timing of future cash flows, the probability of success (achievement of the various contingent events) and a risk-adjusted discount rate to adjust the probability-weighted cash flows to their present value.

We identified the valuation of the contingent consideration liability as a critical audit matter due to the significant judgment required to estimate the fair value at the balance sheet date. Valuation of the contingent consideration liability involves management's complex judgments related to determining: (i) the continued appropriateness of the valuation model selected, and (ii) the reasonableness of inputs and assumptions used in the valuation model, including estimated amount and timing of future cash flows, the probability of success and the risk-adjusted discount rate. Auditing these inputs and assumptions involved especially challenging and subjective auditor judgement due to the nature and extent of procedures performed and the specialized knowledge required to audit the valuation.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of inputs used in the valuation including management's forecast of amount and timing of future cash flows, including challenging assumptions such as the probability of achieving forecasted cash flows and examining contradictory evidence from third-party market and industry sources.
- Utilizing professionals with specialized skills and knowledge in valuation to: (i) test the appropriateness of the valuation model utilized by management to estimate the fair value of the contingent consideration; (ii) verify the reasonableness of the discount rate used in the model; and (iii) perform sensitivity analyses to test the effects of potential changes in the risk-adjusted discount rate based on comparable public companies, and incorporating market risk to management's revenue forecasts.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2017.

San Jose, California
June 4, 2021

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
GSI Technology, Inc.
Sunnyvale, California

Opinion on Internal Control over Financial Reporting

We have audited GSI Technology, Inc.'s (the "Company's") internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of March 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2021, and the related notes and our report dated June 4, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Controls and Procedures. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

San Jose, California
June 4, 2021

GSI TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

	March 31,	
	2021	2020
	(In thousands, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	\$ 44,234	\$ 51,506
Short-term investments	9,717	15,061
Accounts receivable, net	3,665	6,330
Inventories	4,343	4,282
Prepaid expenses and other current assets	1,487	1,934
Total current assets	<u>63,446</u>	<u>79,113</u>
Property and equipment, net	7,328	8,119
Operating lease right-of-use assets	677	617
Long-term investments	5,792	4,117
Goodwill	7,978	7,978
Intangible assets, net	2,256	2,489
Deposits	135	128
Total assets	<u>\$ 87,612</u>	<u>\$ 102,561</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 1,567	\$ 1,184
Lease liabilities, current	375	498
Accrued expenses and other liabilities	5,520	6,578
Total current liabilities	<u>7,462</u>	<u>8,260</u>
Income taxes payable	9	620
Lease liabilities, non-current	324	142
Contingent consideration, non-current	4,225	3,898
Total liabilities	<u>12,020</u>	<u>12,920</u>
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock: \$0.001 par value authorized: 5,000,000 shares; issued and outstanding: none	—	—
Common Stock: \$0.001 par value authorized: 150,000,000 shares; issued and outstanding: 24,020,276 and 23,229,286 shares, respectively	24	23
Additional paid-in capital	47,722	40,176
Accumulated other comprehensive income (loss)	(20)	71
Retained earnings	27,866	49,371
Total stockholders' equity	<u>75,592</u>	<u>89,641</u>
Total liabilities and stockholders' equity	<u>\$ 87,612</u>	<u>\$ 102,561</u>

The accompanying notes are an integral part of these consolidated financial statements.

GSI TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31,		
	2021	2020	2019
	(In thousands, except per share amounts)		
Net revenues.	\$ 27,729	\$ 43,343	\$ 51,486
Cost of revenues.	14,512	18,000	19,858
Gross profit	<u>13,217</u>	<u>25,343</u>	<u>31,628</u>
Operating expenses:			
Research and development.	23,344	25,223	21,355
Selling, general and administrative	11,137	10,922	10,455
Total operating expenses	<u>34,481</u>	<u>36,145</u>	<u>31,810</u>
Loss from operations.	(21,264)	(10,802)	(182)
Interest income, net	295	783	671
Other expense, net	(201)	(71)	(221)
Income (loss) before income taxes	(21,170)	(10,090)	268
Provision for income taxes	335	247	105
Net income (loss).	<u>\$ (21,505)</u>	<u>\$ (10,337)</u>	<u>\$ 163</u>
Net income (loss) per share:			
Basic	<u>\$ (0.91)</u>	<u>\$ (0.45)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.91)</u>	<u>\$ (0.45)</u>	<u>\$ 0.01</u>
Weighted average shares used in per share calculations:			
Basic	<u>23,671</u>	<u>22,968</u>	<u>21,889</u>
Diluted	<u>23,671</u>	<u>22,968</u>	<u>23,349</u>

The accompanying notes are an integral part of these consolidated financial statements.

GSI TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Net income (loss)	\$ (21,505)	\$ (10,337)	\$ 163
Net unrealized gain (loss) on available-for-sale investments	(91)	108	105
Total comprehensive income (loss)	<u>\$ (21,596)</u>	<u>\$ (10,229)</u>	<u>\$ 268</u>

The accompanying notes are an integral part of these consolidated financial statements.

GSI TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
	(In thousands, except share amounts)					
Balance, March 31, 2018.	21,407,247	\$ 21	\$ 27,391	\$ (142)	\$ 59,545	\$ 86,815
Issuance of common stock under employee stock option plans	933,746	1	3,908	—	—	3,909
Repurchase and retirement of common stock	(20,837)	—	(103)	—	—	(103)
Stock-based compensation expense . . .	—	—	2,266	—	—	2,266
Net income	—	—	—	—	163	163
Net unrealized gain on available-for- sale investments	—	—	—	105	—	105
Balance, March 31, 2019.	22,320,156	22	33,462	(37)	59,708	93,155
Issuance of common stock under employee stock option plans	909,130	1	4,148	—	—	4,149
Stock-based compensation expense . . .	—	—	2,566	—	—	2,566
Net loss.	—	—	—	—	(10,337)	(10,337)
Net unrealized gain on available-for- sale investments	—	—	—	108	—	108
Balance, March 31, 2020.	23,229,286	23	40,176	71	49,371	89,641
Issuance of common stock under employee stock option plans	790,990	1	4,692	—	—	4,693
Stock-based compensation expense . . .	—	—	2,854	—	—	2,854
Net loss.	—	—	—	—	(21,505)	(21,505)
Net unrealized loss on available-for- sale investments	—	—	—	(91)	—	(91)
Balance, March 31, 2021.	24,020,276	\$ 24	\$ 47,722	\$ (20)	\$ 27,866	\$ 75,592

The accompanying notes are an integral part of these consolidated financial statements.

GSI TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	\$ (21,505)	\$ (10,337)	\$ 163
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Allowance for doubtful accounts and other	35	(17)	39
Provision for excess and obsolete inventories	466	343	1,195
Non-cash lease expense	598	611	—
Depreciation and amortization	1,214	1,434	1,454
Stock-based compensation	2,854	2,566	2,266
Amortization of premium (discount) on investments	88	—	(36)
Changes in assets and liabilities:			
Accounts receivable	2,630	1,026	(2,099)
Inventory	(527)	1,060	(1,333)
Prepaid expenses and other assets	440	(431)	(144)
Accounts payable	383	(680)	48
Accrued expenses and other liabilities	(1,928)	(256)	1,453
Net cash provided by (used in) operating activities	<u>(15,252)</u>	<u>(4,681)</u>	<u>3,006</u>
Cash flows from investing activities:			
Purchase of investments	(17,510)	(18,116)	(20,307)
Maturities of short-term investments	21,000	27,418	18,173
Decrease in MikaMonu escrow deposit	—	1,000	750
Purchases of property and equipment	(203)	(331)	(2,090)
Net cash provided by (used in) investing activities	<u>3,287</u>	<u>9,971</u>	<u>(3,474)</u>
Cash flows from financing activities:			
Payment of contingent consideration	—	—	(720)
Payment of MikaMonu escrow deposit	—	(428)	(364)
Repurchase of common stock	—	—	(103)
Proceeds from issuance of common stock under employee stock plans	4,693	4,149	3,909
Net cash provided by financing activities	<u>4,693</u>	<u>3,721</u>	<u>2,722</u>
Net increase (decrease) in cash and cash equivalents	<u>(7,272)</u>	<u>9,011</u>	<u>2,254</u>
Cash and cash equivalents at beginning of the period	51,506	42,495	40,241
Cash and cash equivalents at end of the period	<u>\$ 44,234</u>	<u>\$ 51,506</u>	<u>\$ 42,495</u>
Non-cash investing and financing activities:			
Purchases of property and equipment through accounts payable and accruals	\$ 6	\$ 19	\$ 31
Operating lease right-of-use assets exchanged for lease obligations	658	1,228	—
Supplemental cash flow information:			
Net cash paid for income taxes	\$ 858	\$ 345	\$ 11

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

GSI Technology, Inc. (the “Company”) was incorporated in California in March 1995 and reincorporated in Delaware on June 9, 2004. The Company is a provider of high-performance semiconductor memory solutions to networking, industrial, medical, aerospace and military customers. The Company’s products are incorporated primarily in high-performance networking and telecommunications equipment, such as routers, switches, wide area network infrastructure equipment, wireless base stations and network access equipment. In addition, the Company serves the ongoing needs of the military, industrial, test equipment and medical markets for high-performance SRAMs. The Company’s in-place associative computing product is targeted for markets including big data, computer vision and cyber security.

Accounting principles

The consolidated financial statements and accompanying notes were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of consolidation

The consolidated financial statements include the accounts of the Company’s four wholly-owned subsidiaries, GSI Technology Holdings, Inc., GSI Technology (BVI), Inc., GSI Technology Israel Ltd. and GSI Technology Taiwan, Inc. All inter-company transactions and balances have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are inherent in the preparation of the consolidated financial statements and include revenue recognition, obsolete and excess inventory, the valuation allowance on deferred tax assets, stock-based compensation, contingent consideration and the valuation of intangibles and goodwill. The uncertainty created by the COVID-19 global pandemic and efforts to contain it, has made such estimates more difficult and subjective. Actual results could differ materially from those estimates.

Risk and uncertainties

The COVID-19 pandemic has affected many of the countries in which the Company, its customers, suppliers and other business partners conduct business. Governments in affected regions have implemented, and may continue to implement, safety precautions which include quarantines, travel restrictions, business closures, cancellations of public gatherings and other measures as they deem necessary. Many organizations and individuals, including the Company and its employees, are taking additional steps to avoid or reduce infection, including limiting travel and working from home. These measures are disrupting normal business operations both in and outside of affected areas and have had significant negative impacts on businesses and financial markets worldwide.

The Company continues to monitor its operations and government recommendations and have made modifications to its normal operations because of the COVID-19 global pandemic. The Company has instituted many preventative measures and is regularly evaluating those measures and others as it continues to better

understand its current and future operating environment. Since March 2020, except for the Company's employees located in Taiwan, the majority of its employees have worked from home around the world. In May 2021, with the surge in COVID-19 infections in Taiwan, the Company's Taiwan employees have begun working from home under alternating schedules. The Company has maintained a substantial portion of its manufacturing operational capacity at its primary manufacturing support facility located in Hsin Chu, Taiwan where the Company's suppliers are located and where all of the Company's products are manufactured. Since the outbreak of COVID-19, aside from the lengthening of lead times for wafers and assembly services and some price increases, the Company has experienced minimal impact, and continues to experience minimal impact, on its manufacturing operations in Taiwan. Final testing of the Company's products is conducted in house. Shipping and receiving operations are being maintained by a skeleton crew with minimal impact. The Company's revenues have been and are expected to continue to be impacted by changes in customer buying patterns and communication limitations related to COVID-19 restrictions that require a significant number of its customer contacts to work from home. The Company's results for fiscal year ended March 31, 2021 demonstrate the challenges that the Company is facing during the COVID-19 global pandemic, which has restricted the activities of the Company's sales force and distributors, reduced customer demand and caused the postponement of investment in certain customer sectors. These challenges are also impacting the Company as it enters new markets and engages with target customers to sell its new APU product. Industry conferences and on-site training workshops, which are typically used for building a sales pipeline, are unavailable due to COVID-19 related restrictions. The Company has adapted its sales strategies for the COVID-19 environment, where it cannot do face-to-face meetings and conduct secure meetings with government and defense customers, but the Company is still not operating at an optimal level.

The disruption to the marketplace resulting from the COVID-19 global pandemic that the Company continues to experience is unlike anything the Company has ever had to deal with. While the Company continues to monitor the business metrics that it has historically used to predict its financial performance, the Company is uncertain as to whether these metrics will operate consistently with its historical experience.

The Company believes that during the next 12 months the COVID-19 pandemic could impact general economic activity and demand in its end markets. Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Company's results of operations, financial position, including potential impairments, and liquidity in fiscal year 2022. This includes results from new information that may emerge concerning COVID-19, the rollout and effectiveness of vaccines and any actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. The Company has made estimates of the impact of COVID-19 within its financial statements and there may be changes to those estimates in future periods.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted. The CARES Act is an approximate \$2 trillion emergency economic stimulus package passed in response to the COVID-19 global pandemic. The CARES Act includes aid to small businesses in the form of loans and grants and other efforts to stabilize the U.S. economy. The Consolidated Appropriations Act ("CAA") which was signed into law in 2020 extended some of the CARES Act programs along with adding new stimulus provisions. In March 2021, the American Rescue Plan Act of 2021 ("ARPA") was also passed which further extended several CARES Act relief programs and other assistance. The Company has not filed, and does not intend to file, for funding related to the CARES Act, CAA or ARPA due to its strong balance sheet and liquidity position with \$59.7 million in cash and cash equivalents, short-term investments and long-term investments and no debt outstanding as of March 31, 2021. The Company currently has no plans to defer payroll taxes, to layoff or furlough employees or to modify leases and stock compensation plans. Also included in the CARES Act are numerous income tax provisions including changes to the net operating loss rules. During fiscal year 2021, the Company recorded a \$378,000 tax benefit resulting from the carryback of the Company's fiscal year 2020 federal net operating loss to fiscal year 2018

due to the five-year net operating loss carryback provision from the March 2020 CARES Act. The Company believes that the CAA and ARPA will not have a significant impact on it.

The Company buys all of its SRAM wafers, an integral component of its products, from a single supplier and is also dependent on independent suppliers to assemble and test its products. During the years ended March 31, 2021, 2020 and 2019, all of the wafers used in the Company's SRAM products were supplied by Taiwan Semiconductor Manufacturing Company Limited, or TSMC. If this supplier fails to satisfy the Company's requirements on a timely basis at competitive prices, the Company could suffer manufacturing delays, a possible loss of revenues, or higher cost of revenues, any of which could adversely affect operating results.

A majority of the Company's net revenues come from sales to customers in the networking and telecommunications equipment industry. A decline in demand in this industry could have a material adverse effect on the Company's operating results and financial condition.

Because much of the manufacturing and testing of the Company's products is conducted in Taiwan, its business performance may be affected by changes in Taiwan's political, social and economic environment. For example, any political instability resulting from the relationship among the United States, Taiwan and the People's Republic of China could damage the Company's business. Moreover, the role of the Taiwanese government in the Taiwanese economy is significant. Taiwanese policies toward economic liberalization, and laws and policies affecting technology companies, foreign investment, currency exchange rates, taxes and other matters could change, resulting in greater restrictions on the Company's and its suppliers' ability to do business and operate facilities in Taiwan. If any of these risks were to occur, the Company's business could be harmed.

Some of the Company's suppliers and the Company's two principal operations are located near fault lines. In the event of a major earthquake, typhoon or other natural disaster near the facilities of any of these suppliers or the Company, the Company's business could be harmed.

From time to time, the Company is involved in legal actions. There are many uncertainties associated with any litigation, and the Company may not prevail. If information becomes available that causes us to determine that a loss in any of our pending litigation, or the settlement of such litigation, is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with GAAP. However, the actual liability in any such litigation may be materially different from our estimates, which could require us to record additional costs.

Revenue recognition

The Company recognizes revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under this criteria, revenue from the sale of products is generally recognized upon shipment according to the Company's shipping terms, net of accruals for estimated variable consideration resulting from sales returns and allowances based on historical experience. For sales to consignment warehouses, who purchase products from the Company for use by contract manufacturers, revenues are recognized upon delivery to the contract manufacturer.

Cash and cash equivalents

Cash and cash equivalents include cash in demand accounts and highly liquid investments purchased with an original or remaining maturity of three months or less at the date of purchase, stated at cost, which approximates their fair value.

Short-term and long-term investments

All of the Company's short-term and long-term investments are classified as available-for-sale. Available-for-sale debt securities with maturities greater than twelve months are classified as long-term investments when they are not intended for use in current operations. Investments in available-for-sale securities are reported at fair value with unrecognized gains (losses), net of tax, as a component of "Accumulated other comprehensive income (loss)" on the Consolidated Balance Sheets. The Company monitors its investments for impairment periodically and records appropriate reductions in carrying values when the declines in fair value are determined to be other-than-temporary.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, cash equivalents, short-term and long-term investments and accounts receivable. The Company places its cash primarily in checking, certificate of deposit, and money market accounts with reputable financial institutions, and by policy, limits the amount of credit exposure with any one financial institution or commercial issuer. The Company's accounts receivables are derived primarily from revenue earned from customers located in the U.S. and Asia. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The Company maintains an allowance for doubtful accounts receivable based upon the expected collectability of accounts receivable. There were no write offs of accounts receivable in the years ended March 31, 2021, 2020 or 2019.

At March 31, 2021, four customers accounted for 36%, 28%, 15% and 12% of accounts receivable, and for the year then ended, four customers accounted for 30%, 22%, 21% and 15% of net revenues. At March 31, 2020, three customers accounted for 33%, 20% and 19% of accounts receivable, and for the year then ended, four customers accounted for 34%, 17%, 15% and 15% of net revenues. For the year ended March 31, 2019, four customers accounted for 31%, 22%, 18% and 15% of net revenues.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined on a weighted average basis. Inventory write-down allowances are established when conditions indicate that the selling price could be less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. These allowances, once recorded, result in a new cost basis for the related inventory. These allowances are also considered for excess inventory generally based on inventory levels in excess of 12 months of forecasted demand, as estimated by management, for each specific product. The allowance is not reversed until the inventory is sold or disposed.

The Company recorded write-downs of excess and obsolete inventories of \$466,000, \$343,000 and \$1.2 million, respectively, in fiscal 2021, 2020 and 2019.

Property and equipment, net

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as presented below:

Software	3 to 5 years
Computer and other equipment	5 to 10 years
Building and building improvements	10 to 25 years
Furniture and fixtures	7 years

Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the remaining lease term of the respective assets. Gains or losses on disposals of property and equipment are recorded within income from operations. Costs of repairs and maintenance are included as part of operating expenses unless they are incurred in relation to major improvements to existing property and equipment, at which time they are capitalized.

Operating Leases

The Company adopted ASU 2016-02, "*Leases (Topic 842)*" as of April 1, 2019 and applied the modified retrospective approach to all leases existing at, or entered into on or after, the date of adoption of April 1, 2019. In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements," which provides clarifications and improvements to ASU 2016-02 including allowing entities to elect an additional transition method, a modified retrospective approach, that permits changes to be applied by means of a cumulative-effect adjustment recorded in retained earnings as of the beginning of the fiscal year of adoption.

The Company did not restate comparative periods, as permitted by ASU 2018-11, and elected the package of practical expedients permitted under the transition guidance within the new standard and did not reassess whether any contracts that existed prior to adoption have or contain leases or the classification of existing leases. Further, the Company made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet. The Company recognizes those lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term.

As a result of adoption of this standard and election of the transition practical expedients, the Company recognized right-of-use ("ROU") assets and lease liabilities for those leases classified as operating leases under ASC Topic 840 that continued to be classified as operating leases under ASC Topic 842 at the date of initial application. The Company does not have any leases classified as a capital lease under ASC 840 and therefore has no leases classified as a "finance lease" under the new standard.

In applying the alternative modified retrospective transition method, the Company measured lease liabilities at the present value of the sum of remaining minimum rental payments (as defined under ASC Topic 840). The present value of lease liabilities was measured using the Company's incremental borrowing rates as of April 1, 2019 (the date of initial application). Additionally, ROU assets for these operating leases were measured as the initial measurement of applicable lease liabilities adjusted for any prepaid or accrued rent.

Upon adoption of Topic 842, the Company recognized ROU assets of approximately \$1.1 million and lease liabilities of approximately \$1.1 million on the Company's Condensed Consolidated Balance Sheets as of April 1, 2019, with no material impact to its Condensed Consolidated Statements of Operations.

Impairment of long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. If the sum of the expected future cash flows (undiscounted and before interest) from the use of the assets is less than the net book value of the asset an impairment could exist and the amount of the impairment loss, if any, will generally be measured as the difference between the net book value of the assets and their estimated fair values. There were no impairment losses recognized during the years ended March 31, 2021, 2020 or 2019. Based on the uncertainty of forecasts, unforeseen events such as the failure to generate revenue from the anticipated product launch could result in impairment in the future.

Goodwill and intangible assets

Goodwill is not amortized but is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

The Company assesses goodwill for impairment on an annual basis on the last day of February in the fourth quarter of its fiscal year and if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. The Company has one reporting unit. Impairment is recognized if the carrying value of the net assets of the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the reporting unit.

Intangible assets with finite useful lives are amortized over their estimated useful lives, generally on a straight-line basis over five to fifteen years. The Company reviews identifiable amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value.

Research and development

Research and development expenses are related to new product designs, including, salaries, stock-based compensation, contractor fees, and allocation of corporate costs and are charged to the statement of operations as incurred.

Income taxes

The Company accounts for income taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when it is more likely than not that the deferred tax asset will not be realized. Because the Company recorded a cumulative three-year loss on a U.S. tax basis for the years ended March 31, 2021 and 2020, the Company has recorded a tax provision reflecting substantially a full valuation allowance of its \$13.0 million and \$9.4 million of net deferred tax assets at March 31, 2021 and 2020, respectively.

Authoritative guidance prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Under the guidance, the financial statements will reflect expected future tax consequences of such positions presuming the taxing Authorities' full knowledge of the position and all relevant facts, but without considering time values. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation process, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

Shipping and handling costs

The Company records costs related to shipping and handling in cost of revenues.

Advertising expense

Advertising costs are charged to expense in the period incurred. Advertising expense was not material for the years ended March 31, 2021, 2020 and 2019.

Foreign currency transactions

The U.S. dollar is the functional currency for all of the Company's foreign operations. Foreign currency transaction gains and losses, resulting from transactions denominated in currencies other than U.S. dollars are included in the Consolidated Statements of Operations. These gains and losses were not material for the years ended March 31, 2021, 2020 or 2019.

Segments

Segment reporting is based on the "management approach," following the method that management organizes the Company's reportable segments for which separate financial information is made available to, and evaluated regularly by, the chief operating decision maker in allocating resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer (CEO), who makes the decision on allocating resources and in assessing performance. The CEO reviews the Company's consolidated results as one operating segment. In making operating decisions, the CEO primarily considers consolidated financial information, accompanied by disaggregated information about revenues by customers and product. All of the Company's principal operations and decision-making functions are located in the U.S. The Company's CEO views its operations, manages its business, and uses one measurement of profitability for the one operating segment, which designs, develops and sells integrated circuits.

Accounting for stock-based compensation

Stock-based compensation expense recognized in the Consolidated Statements of Operations is based on options ultimately expected to vest, reduced by the amount of estimated forfeitures. The Company chose the straight-line method of allocating compensation cost over the requisite service period of the related award according to authoritative guidance. The Company calculates the expected term based on the historical average period of time that options were outstanding as adjusted for expected changes in future exercise patterns, which, for options granted in fiscal 2021, 2020 and 2019 resulted in an expected term of approximately five years. The Company uses its historical volatility to estimate expected volatility. The risk-free interest rate is based on the U.S. Treasury yields in effect at the time of grant for periods corresponding to the expected life of the options. The dividend yield is 0%, based on the fact that the Company has never paid dividends and has no present intention to pay dividends. Changes to these assumptions may have a significant impact on the results of operations.

Authoritative guidance requires cash flows, if any, resulting from the tax benefits from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows in the Consolidated Statements of Cash Flows.

Comprehensive income (loss)

Comprehensive income (loss) is defined to include all changes in stockholders' equity during a period except those resulting from investments by owners and distributions to owners. For the years ended March 31, 2021, 2020 and 2019, comprehensive income (loss) was (\$21.6) million, (\$10.2) million and \$268,000, respectively.

Business combinations

The Company allocates the fair value of the purchase consideration of its acquisitions to the tangible assets, liabilities, and intangible assets acquired, based on their estimated fair values. Goodwill represents the excess of acquisition cost over the fair value of tangible and identified intangible net assets of businesses acquired. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired company are reflected in the Company's consolidated financial statements after the closing date of the business combination.

Accounting pronouncements recently adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.*" The standard amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. The Company adopted ASU No. 2018-13 in the quarter ended June 30, 2020. Implementation of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*" The standard eliminates the second step in the goodwill impairment test which requires an entity to determine the implied fair value of the reporting unit's goodwill. Instead, an entity should recognize an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the reporting unit. The Company adopted ASU No. 2017-04 in the quarter ended June 30, 2020. Implementation of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

Accounting pronouncements not yet effective for fiscal 2021

In December 2019, the FASB issued ASU No. 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*" as part of its initiative to reduce complexity in the accounting standards. The standard eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The standard also clarifies and simplifies other aspects of the accounting for income taxes. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company will adopt ASU No. 2019-12 in the quarter ending June 30, 2021. Implementation of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*" ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans, and other financial instruments, the Company will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted beginning April 1, 2019. Application of the amendments is through a cumulative-effect adjustment to retained earnings as of the effective date. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

NOTE 2 —REVENUE RECOGNITION

The Company determines revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

The majority of the Company's customer contracts, which may be in the form of purchase orders, contracts or purchase agreements, contain performance obligations for delivery of agreed upon products. Delivery of all performance obligations contained within a contract with a customer typically occurs at the same time (or within the same accounting period). Transfer of control typically occurs at the point at which delivery has occurred, title and the risks and rewards of ownership have passed to the customer, and the Company has a right to payment. For all transactions apart from consignment sales, the Company will generally recognize revenue upon shipment of the product. For consignment sales, revenue is recognized at the time that the product is pulled from consignment warehouses.

Because all of the Company's performance obligations relate to contracts with a duration of less than one year, the Company elected to apply the optional exemption practical expedient provided in Topic 606 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Company adjusts the transaction price for variable consideration. Variable consideration is not typically significant and primarily results from stock rotation rights and quick pay discounts provided to our distributors. As a practical expedient, the Company is recognizing the incremental costs of obtaining a contract, specifically commission expenses that have a period of benefit of less than twelve months, as an expense when incurred. Additionally, the Company has adopted an accounting policy to recognize shipping costs that occur after control transfers to the customer as a fulfillment activity.

The Company's contracts with customers do not typically include extended payment terms. Payment terms vary by contract type and type of customer and generally range from 30 to 60 days from shipment. Additionally, the Company has right to payment upon shipment.

The Company records revenue net of sales tax, value added tax, excise tax and other taxes collected concurrent with product sales. The impact of such taxes on products sales is immaterial. The Company has also elected to recognize the cost for freight and shipping when control over the products sold passes to customers and revenue is recognized.

The Company warrants its products to be free of defects generally for a period of three years. The Company estimates its warranty costs based on historical warranty claim experience and includes such costs in cost of revenues. Warranty costs and the accrued warranty liability were not material as of March 31, 2021.

The majority of the Company's revenue is derived from sales of SRAM products which represented approximately 98%, 98% and 99% of total revenues in the years ended March 31, 2021, 2020 and 2019, respectively.

Nokia, the Company's largest customer, purchases products directly from the Company and through contract manufacturers and distributors. Based on information provided to the Company by its contract manufacturers and distributors, purchases by Nokia represented approximately 39%, 38% and 45% of the Company's net revenues in fiscal 2021, 2020 and 2019, respectively.

See “Note 13 - Segment and Geographic Information” for revenue by shipment destination.

The following table presents the Company’s revenue disaggregated by customer type.

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Contract manufacturers	\$ 12,127	\$ 14,603	\$ 21,281
Distribution	15,172	26,555	28,807
OEMs	430	2,185	1,398
	<u>\$ 27,729</u>	<u>\$ 43,343</u>	<u>\$ 51,486</u>

NOTE 3—NET INCOME (LOSS) PER COMMON SHARE

The Company uses the treasury stock method to calculate the weighted average shares used in computing diluted net income (loss) per share. The following table sets forth the computation of basic and diluted net income (loss) per share:

	Year Ended March 31,		
	2021	2020	2019
	(In thousands, except per share amounts)		
Net income (loss)	<u>\$ (21,505)</u>	<u>\$ (10,337)</u>	<u>\$ 163</u>
Denominators:			
Weighted average shares—Basic	23,671	22,968	21,889
Dilutive effect of employee stock options	—	—	1,453
Dilutive effect of employee stock purchase plan options	—	—	7
Weighted average shares—Dilutive	<u>23,671</u>	<u>22,968</u>	<u>23,349</u>
Net income (loss) per common share—Basic	<u>\$ (0.91)</u>	<u>\$ (0.45)</u>	<u>\$ 0.01</u>
Net income (loss) per common share—Diluted	<u>\$ (0.91)</u>	<u>\$ (0.45)</u>	<u>\$ 0.01</u>

The following shares of common stock (determined on a weighted average basis) were excluded from the computation of diluted net income (loss) per common share as they had an anti-dilutive effect:

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Shares underlying options and ESPP shares	<u>4,607</u>	<u>3,914</u>	<u>2,108</u>

NOTE 4—BALANCE SHEET DETAIL

	March 31,	
	2021	2020
	(In thousands)	
Inventories:		
Work-in-progress	\$ 1,561	\$ 1,650
Finished goods	2,764	2,612
Inventory at distributors	18	20
	<u>\$ 4,343</u>	<u>\$ 4,282</u>
	March 31,	
	2021	2020
	(In thousands)	
Accounts receivable, net:		
Accounts receivable	\$ 3,785	\$ 6,415
Less: Allowances for doubtful accounts and other	(120)	(85)
	<u>\$ 3,665</u>	<u>\$ 6,330</u>
	March 31,	
	2021	2020
	(In thousands)	
Prepaid expenses and other current assets:		
Prepaid tooling and masks	\$ 584	\$ 707
Prepaid income taxes	1	79
Other receivables	291	211
Other prepaid expenses and other current assets	611	937
	<u>\$ 1,487</u>	<u>\$ 1,934</u>
	March 31,	
	2021	2020
	(In thousands)	
Property and equipment, net:		
Computer and other equipment	\$ 18,359	\$ 18,191
Software	4,097	4,086
Land	3,900	3,900
Building and building improvements	3,735	3,735
Furniture and fixtures	102	102
Leasehold improvements	877	874
	<u>31,070</u>	<u>30,888</u>
Less: Accumulated depreciation	<u>(23,742)</u>	<u>(22,769)</u>
	<u>\$ 7,328</u>	<u>\$ 8,119</u>

Depreciation expense was \$981,000, \$1.2 million and \$1.2 million for the years ended March 31, 2021, 2020 and 2019, respectively.

The following table summarizes the components of intangible assets and related accumulated amortization balances at March 31, 2021 and 2020, respectively (in thousands):

As of March 31, 2021			
	Gross Carrying Amount	Accumulated amortization	Net Carrying Amount
Intangible assets:			
Product designs	\$ 590	\$ (590)	\$ —
Patents	4,220	(1,964)	2,256
Software	80	(80)	—
Total	<u>\$ 4,890</u>	<u>\$ (2,634)</u>	<u>\$ 2,256</u>

As of March 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:			
Product designs	\$ 590	\$ (590)	\$ —
Patents	4,220	(1,731)	2,489
Software	80	(80)	—
Total	<u>\$ 4,890</u>	<u>\$ (2,401)</u>	<u>\$ 2,489</u>

Amortization of intangible assets of \$233,000, \$233,000 and \$267,000 was included in cost of revenues for the years ended March 31, 2021, 2020 and 2019, respectively.

As of March 31, 2021, the estimated future amortization expense of intangible assets in the table above is as follows (in thousands):

Fiscal year ending March 31,	
2022	\$ 233
2023	233
2024	233
2025	233
2026	233
Thereafter	1,091
Total	<u>\$ 2,256</u>

March 31,		
	2021	2020
(In thousands)		
Accrued expenses and other liabilities:		
Accrued compensation	\$ 4,173	\$ 3,673
Purchased intellectual property	—	1,621
Accrued commissions	217	270
Income taxes payable	198	143
Miscellaneous accrued expenses	932	871
	<u>\$ 5,520</u>	<u>\$ 6,578</u>

NOTE 5—GOODWILL

Goodwill represents the difference between the purchase price and the estimated fair value of the identifiable assets acquired and liabilities assumed in a business combination. The Company tests for goodwill impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset is more likely than not impaired. The Company has one reporting unit. The Company assesses goodwill for impairment on an annual basis on the last day of February in the fourth quarter of its fiscal year.

The Company had a goodwill balance of \$8.0 million as of both March 31, 2021 and 2020. The goodwill resulted from the acquisition of MikaMonu Group Ltd. (“MikaMonu”) in fiscal 2016.

The Company completed its annual impairment test during the fourth quarter of fiscal 2021 and concluded that there was no impairment, as the fair value of its sole reporting unit exceeded its carrying value. The Company believes that the fair value established during the fiscal 2021 annual goodwill impairment testing was reasonable, and no triggering event has taken place subsequent to the fiscal 2021 annual assessment.

NOTE 6—INCOME TAXES

Income (loss) before income taxes and the provision for income taxes consists of the following:

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Income (loss) before income taxes:			
U.S.....	\$ (10,775)	\$ (8,574)	\$ (5,487)
Foreign.....	(10,395)	(1,516)	5,755
	<u>\$ (21,170)</u>	<u>\$ (10,090)</u>	<u>\$ 268</u>
Current income tax expense (benefit):			
U.S. federal	\$ (379)	\$ (39)	\$ (28)
Foreign.....	714	274	121
State	(1)	1	1
	<u>334</u>	<u>236</u>	<u>94</u>
Deferred income tax expense (benefit):			
U.S. federal	1	12	13
State	—	(1)	(2)
	<u>1</u>	<u>11</u>	<u>11</u>
Provision for income taxes	<u>\$ 335</u>	<u>\$ 247</u>	<u>\$ 105</u>

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory income tax rate to pre-tax loss as follows:

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
U.S. Federal taxes at statutory rate	\$ (4,446)	\$ (2,120)	\$ 56
State taxes, net of federal benefit	(1)	—	(2)
Settlement of uncertain tax positions	524	—	—
Stock-based compensation	482	(58)	(124)
Tax credits	(509)	(494)	(536)
Foreign tax rate differential	2,419	593	117
Tax exempt interest	(5)	(16)	(4)
Non-deductible expenses and other	(2)	38	17
	(1,538)	(2,057)	(476)
Valuation allowance	1,873	2,304	581
	<u>\$ 335</u>	<u>\$ 247</u>	<u>\$ 105</u>

Deferred tax assets and deferred tax liabilities consist of the following:

	March 31,	
	2021	2020
	(In thousands)	
Deferred tax assets:		
Tax credits	\$ 6,975	\$ 5,512
Net operating losses	2,980	1,245
Stock-based compensation	1,180	950
Property and equipment	807	731
Other reserves and accruals	1,267	976
Total deferred tax assets	13,209	9,414
Less valuation allowance	(13,017)	(9,389)
Deferred tax assets, net	192	25
Deferred tax liabilities:		
Leased assets	(186)	—
Unrecognized gains	(15)	(32)
Total deferred tax liabilities	(201)	(32)
Net deferred tax liability	<u>\$ (9)</u>	<u>\$ (7)</u>

The Company currently intends to indefinitely reinvest earnings in operations outside the United States. No provision has been made for state income taxes that might be payable upon remittance of such earnings, nor is it practicable to determine the amount of such potential liability.

The long-term portion of the Company's unrecognized tax benefits at March 31, 2021 and 2020 was \$0 and \$613,000, respectively, of which the timing of the resolution is uncertain. As of March 31, 2021 and 2020, \$3.3 million and \$2.7 million, respectively, of unrecognized tax benefits had been recorded as a reduction to net deferred tax assets. As of March 31, 2021, the Company's net deferred tax assets of \$13.0 million are subject to a valuation allowance of \$13.0 million. It is possible, however, that some months or years may elapse before an uncertain

position for which the Company has established a reserve is resolved. A reconciliation of unrecognized tax benefits is as follows:

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Unrecognized tax benefits, beginning of period	\$ 3,321	\$ 3,102	\$ 2,735
Additions based on tax positions related to current year	233	394	371
Additions based on tax positions related to prior years	—	—	13
Settlements during the period	(203)	—	—
Reductions based on tax positions related to prior years	(78)	(158)	(17)
Lapses during the current year applicable to statutes of limitations	—	(17)	—
Unrecognized tax benefits, end of period	<u>\$ 3,273</u>	<u>\$ 3,321</u>	<u>\$ 3,102</u>

There is no unrecognized tax benefit balance as of March 31, 2021 that would affect the Company's effective tax rate if recognized.

Following the enactment of the "Tax Cuts and Jobs Act" ("H.R. 1") on December 22, 2017, the SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the H.R. 1 enactment date for companies to complete the accounting under ASC 740.

H.R. 1 includes significant changes to the U.S. corporate income tax system, including a reduction in the corporate income tax rate from 35% to 21%, limitations on the deductibility of interest expense and executive compensation and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. We re-measured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. The re-measurement of our deferred tax balance of \$1.1 million was offset by application of our valuation allowance. We calculated our best estimate of the impact of H.R. 1 in the fiscal 2018 year-end income tax provision, including the impact of the one-time transition tax, in accordance with our understanding of H.R. 1 and guidance available as of the date of this filing and recorded a tax expense of \$367,000 in the year ended March 31, 2018 related to the transition tax associated with deemed repatriation of foreign earnings. Pursuant to Staff Accounting Bulletin No. 118, adjustments to the provisional amounts recorded by the Company that are identified within a subsequent measurement period of up to one year from the enactment date will be included as an adjustment to tax expense from continuing operations in the period the amounts are determined. During the year ended March 31, 2019, the Company completed its assessment of the impact of H.R. 1 and recorded an immaterial additional liability that is included in Income Taxes Payable in the Consolidated Balance Sheet as of March 31, 2019.

At March 31, 2021, due to the Company's valuation allowance in the United States, there was no net income tax effect related to GILTI in the Company's fiscal year ended March 31, 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted. The CARES Act is an approximate \$2 trillion emergency economic stimulus package passed in response to the COVID-19 global pandemic. The CARES Act includes aid to small businesses in the form of loans and grants and other efforts to stabilize the U.S. economy. The CAA Act which was signed into law in 2020 extended some of the CARES Act programs along with adding new stimulus provisions. In March 2021, ARPA Act was also passed which further extended several CARES Act relief programs and other assistance. The Company has not filed, and does not intend to file, for funding related to the CARES Act, the CAA or ARPA due to its strong balance sheet and liquidity position with \$59.7 million in cash and cash equivalents, short-term investments and long-term investments and no debt outstanding as of March 31, 2021. The Company currently has no plans to defer payroll taxes, to layoff or furlough employees or to modify leases and stock compensation plans. Also included in the CARES Act are numerous income tax provisions including changes to the net operating loss rules. During fiscal year 2021, the

Company recorded a \$378,000 tax benefit resulting from the carryback of the Company's fiscal year 2020 federal net operating loss to fiscal year 2018 due to the five-year net operating loss carryback provision from the March 2020 CARES Act. The Company believes that the CAA and ARPA will not have a significant impact on it.

Management believes that within the next twelve months the Company will have no material reduction in uncertain tax benefits, including interest and penalties, as a result of the lapse of statute of limitations.

The Company's policy is to include interest and penalties related to unrecognized tax benefits within the provision for income taxes in the Consolidated Statements of Operations.

The Company's federal and state net operating loss carryforwards for income tax purposes are approximately \$9.6 and \$14.5 million, respectively, at March 31, 2021. The Company's state tax net operating loss carryforwards expire beginning in 2034.

The Company's federal and state tax credit carryforwards for income tax purposes are approximately \$3.7 million and \$4.2 million respectively, at March 31, 2021. The Company's federal tax credit carryforwards expire beginning in 2033. The Company's state tax credit carryforwards have no expiration date.

The Company is subject to taxation in the United States and various state and foreign jurisdictions. As of March 31, 2021, the Company maintained a valuation allowance of \$13.0 million, which increased \$3.6 million from the prior year, for deferred tax assets that are not expected to be utilized in future years. Fiscal years 2012 through 2021 remain open to examination by the federal tax authorities and fiscal years 2011 through 2021 remain open to examination by the state of California. Fiscal years 2020 and 2021 are subject to audit by the Israeli tax authorities. During the quarter ended June 30, 2020, the Company settled an income tax audit in Israel for fiscal years 2016 through 2019 that resulted in a discrete tax provision of \$479,000 and a tax liability of \$713,000 as of June 30, 2020 that was paid in the quarter ended September 30, 2020.

NOTE 7—FINANCIAL INSTRUMENTS

Fair value measurements

Authoritative accounting guidance for fair value measurements provides a framework for measuring fair value and related disclosures. The guidance applies to all financial assets and financial liabilities that are measured on a recurring basis. The guidance requires fair value measurement to be classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets and liabilities. The fair value of available-for-sale securities included in the Level 1 category is based on quoted prices that are readily and regularly available in an active market. As of March 31, 2021, the Level 1 category included money market funds of \$23.0 million, which were included in cash and cash equivalents on the Consolidated Balance Sheets.

Level 2: Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. The fair value of available-for-sale securities included in the Level 2 category is based on the market values obtained from an independent pricing service that were evaluated using pricing models that vary by asset class and may incorporate available trade, bid and other market information and price quotes from well-established independent pricing vendors and broker-dealers. As of March 31, 2021, the Level 2 category included short-term investments of \$9.7 million and long term-investments of \$5.8 million, which were primarily comprised of certificates of deposit, supranational obligations and agency securities.

Level 3: Valuations based on inputs that are unobservable and involve management judgment and the reporting entity's own assumptions about market participants and pricing. As of March 31, 2021, the Company's

Level 3 financial instruments measured at fair value on the Consolidated Balance Sheets consisted of the contingent consideration liability related to the MikaMonu acquisition. The fair value of the contingent consideration liability was initially determined as of the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of future cash flows, the probability of success (achievement of the various contingent events) and a risk-adjusted discount rate of approximately 14.8% used to adjust the probability-weighted cash flows to their present value. Significant increases (decreases) in any of those inputs in isolation would result in a significantly higher (lower) fair value measurement. Generally, changes used in the assumptions for future cash flows and probability of success would be accompanied by a directionally similar change in the fair value measurement and expense. Conversely, changes in the risk-adjusted discount rate would be accompanied by a directionally opposite change in the related fair value measurement and expense. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability is re-measured to fair value with changes recorded in selling, general and administrative expenses in the Consolidated Statements of Operations. During the most recent re-measurement of the contingent consideration liability as of March 31, 2021, the Company used a risk-adjusted discount rate of approximately 14.5% to adjust the probability-weighted cash flows to their present value using probabilities ranging from 0% to 15% for the remaining contingent events. The contingent consideration liability is included in contingent consideration, non-current on the Consolidated Balance Sheet at March 31, 2021 and 2020 in the amount of \$4.2 million and \$3.9 million, respectively.

Refer to Note 14, “Acquisition” for more information.

The fair value of financial assets measured on a recurring basis is as follows (in thousands):

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		March 31, 2021		
Assets:				
Money market funds	\$ 22,992	\$ 22,992	\$ —	\$ —
Marketable securities	15,509	—	15,509	—
Total	<u>\$ 38,501</u>	<u>\$ 22,992</u>	<u>\$ 15,509</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration	<u>\$ 4,225</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,225</u>

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		March 31, 2020		
Assets:				
Money market funds	\$ 14,117	\$ 14,117	\$ —	\$ —
Marketable securities	19,178	—	19,178	—
Total	<u>\$ 33,295</u>	<u>\$ 14,117</u>	<u>\$ 19,178</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration	<u>\$ 3,898</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,898</u>

The following table sets forth the changes in fair value of contingent consideration for the fiscal years ended March 31, 2021, 2020 and 2019, respectively:

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Contingent consideration, beginning of period	\$ 3,898	\$ 4,206	\$ 5,514
Change due to accretion	98	112	147
Re-measurement of contingent consideration	229	80	(326)
Payment of contingent consideration	—	(500)	(1,129)
Contingent consideration, end of period	<u>\$ 4,225</u>	<u>\$ 3,898</u>	<u>\$ 4,206</u>

Short-term and long-term investments

All of the Company's short-term and long-term investments are classified as available-for-sale. Available-for-sale debt securities with maturities greater than twelve months are classified as long-term investments when they are not intended for use in current operations. Investments in available-for-sale securities are reported at fair value with unrecognized gains (losses), net of tax, as a component of accumulated other comprehensive income (loss) on the Consolidated Balance Sheets. The Company had money market funds of \$23.0 million and \$14.1 million at March 31, 2021 and March 31, 2020, respectively, included in cash and cash equivalents on the Consolidated Balance Sheets. The Company monitors its investments for impairment periodically and records appropriate reductions in carrying values when the declines are determined to be other-than-temporary.

The following table summarizes the Company's available-for-sale investments:

	March 31, 2021			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Short-term investments:				
Certificates of deposit	\$ 1,495	\$ 13	\$ —	\$ 1,508
Supranational obligations	2,273	1	—	2,274
Agency bonds	5,911	24	—	5,935
Total short-term investments	<u>\$ 9,679</u>	<u>\$ 38</u>	<u>\$ —</u>	<u>\$ 9,717</u>
Long-term investments:				
Certificates of deposit	\$ 3,750	\$ 19	\$ (1)	\$ 3,768
Supranational obligations	1,023	—	(1)	1,022
Agency bonds	1,001	1	—	1,002
Total long-term investments	<u>\$ 5,774</u>	<u>\$ 20</u>	<u>\$ (2)</u>	<u>\$ 5,792</u>

	March 31, 2020			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Short-term investments:				
Certificates of deposit	\$ 12,000	\$ 52	\$ (1)	\$ 12,051
Agency bonds	2,989	21	—	3,010
Total short-term investments	<u>\$ 14,989</u>	<u>\$ 73</u>	<u>\$ (1)</u>	<u>\$ 15,061</u>
Long-term investments:				
Certificates of deposit	\$ 745	\$ 18	\$ —	\$ 763
Agency bonds	2,029	42	—	2,071
Supranational obligations	1,270	13	—	1,283
Total long-term investments	<u>\$ 4,044</u>	<u>\$ 73</u>	<u>\$ —</u>	<u>\$ 4,117</u>

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position as of March 31, 2021 and 2020, respectively.

	March 31, 2021					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)					
Certificates of deposit	\$ 1,499	\$ (1)	\$ —	\$ —	\$ 1,499	\$ (1)
Supranational obligations	2,037	(1)	—	—	2,037	(1)
	<u>\$ 3,536</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,536</u>	<u>\$ (2)</u>

	March 31, 2020					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)					
Certificates of deposit	\$ 2,498	\$ (2)	\$ —	\$ —	\$ 2,498	\$ (2)
	<u>\$ 2,498</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,498</u>	<u>\$ (2)</u>

The Company's investment portfolio consists of both corporate and governmental securities that have a maximum maturity of three years. All unrealized gains and losses are due to changes in interest rates and bond yields. Subject to normal credit risks, the Company has the ability to realize the full value of all these investments upon maturity.

At March 31, 2021 and 2020, the deferred tax liability related to unrecognized gains and losses on short-term and long-term investments was (\$15,000) and (\$30,000), respectively.

As of March 31, 2021, contractual maturities of the Company's available-for-sale investments were as follows:

	<u>Cost</u>	<u>Fair Value</u>
	<u>(In thousands)</u>	
Maturing within one year	\$ 9,679	\$ 9,717
Maturing in one to three years	5,774	5,792
	<u>\$ 15,453</u>	<u>\$ 15,509</u>

NOTE 8—LEASES

The Company has operating leases for corporate offices, research and development facilities, certain equipment and software. The Company's leases have remaining lease terms of 3 months to 29 months, some of which include options to extend for up to 5 years.

Supplemental balance sheet information related to leases was as follows:

	<u>As of March 31, 2021</u>	<u>As of March 31, 2020</u>
	<u>(In thousands)</u>	
Operating Leases		
Operating lease right-of-use assets	<u>\$ 677</u>	<u>\$ 617</u>
Lease liabilities-current	\$ 375	\$ 498
Lease liabilities-non-current	324	142
Total operating lease liabilities	<u>\$ 699</u>	<u>\$ 640</u>

The following table provides the details of lease costs:

	<u>Year Ended March 31, 2021</u>	<u>Year Ended March 31, 2020</u>
	<u>(In thousands)</u>	
Operating lease cost	\$ 660	\$ 647
Short-term lease cost	48	29
	<u>\$ 708</u>	<u>\$ 676</u>

The following table provides other information related to leases:

	Year Ended March 31,	
	2021	2020
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 673	\$ 655
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 658	\$ 1,228
Weighted-average remaining lease term (years):		
Operating leases	2.1	1.3
Weighted-average discount rate:		
Operating leases	4.70%	6.46%

The following table provides the maturities of the Company's operating lease liabilities as of March 31, 2021:

Fiscal Year	Operating Lease Liabilities
	(In thousands)
2022	\$ 383
2023	248
2024	100
Total undiscounted future cash flows	731
Less: Imputed interest	(32)
Present value of undiscounted future cash flows	\$ 699
Presentation on statement of financial position	
Current	\$ 375
Non-current	\$ 324

Rent expense for the year ended March 31, 2019 was \$566,000, under Topic 840.

NOTE 9—COMMITMENTS AND CONTINGENCIES

Royalty obligations

The Company has license agreements that require it to pay royalties on the sale of products using the licensed technology. Royalty expense for the years ended March 31, 2021, 2020 and 2019 was \$35,000, \$35,000 and \$34,000, respectively, and was included within cost of revenues.

Indemnification obligations

The Company is a party to a variety of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters. Typically, these obligations arise in the context of contracts entered into

by the Company, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants related to such matters as title to assets sold and certain intellectual property rights. In each of these circumstances, payment by the Company is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claims. Further, the Company's obligations under these agreements may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments made by it under these agreements.

It is not possible to predict the maximum potential amount of future payments under these or similar agreements due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material effect on its business, financial condition, cash flows or results of operations. The Company believes that if it were to incur a loss in any of these matters, such loss should not have a material effect on its business, financial condition, cash flows or results of operations.

Product warranties

The Company warrants its products to be free of defects generally for a period of three years. The Company estimates its warranty costs based on historical warranty claim experience and includes such costs in cost of revenues. Warranty costs and the accrued warranty liability were not material as of March 31, 2021 and 2020 and for the years ended March 31, 2021, 2020 or 2019.

NOTE 10—COMMON STOCK

The Company's Certificate of Incorporation, as amended, authorizes the Company to issue 150,000,000 shares of \$0.001 par value common stock.

On August 6, 2014, the Company completed a modified "Dutch auction" self-tender offer to repurchase for cash shares of its common stock. The Company accepted for purchase and retirement an aggregate of 3,846,153 shares of its common stock at a final purchase price of \$6.50 per share, for an aggregate cost of approximately \$25 million, excluding fees and expenses related to the tender offer.

The Company's board of directors has authorized the repurchase, at management's discretion, of shares of its common stock. Under the repurchase program, the Company may repurchase shares from time to time on the open market or in private transactions. The specific timing and amount of the repurchases will be dependent on market conditions, securities law limitations and other factors. The repurchase program may be suspended or terminated at any time without prior notice. Through March 31, 2021, including the shares purchased in the modified "Dutch Auction" self-tender offer, the Company has repurchased and retired a total of 12,004,779 shares at an average cost of \$5.06 per share for a total cost of \$60.7 million. At March 31, 2021, management was authorized to repurchase additional shares with a value of up to \$4.3 million under the repurchase program.

NOTE 11—STOCK-BASED COMPENSATION

The 2007 Equity Incentive Plan

In January 2007, the Company's board of directors approved the 2007 Equity Incentive Plan, (the "2007 Plan"), which was subsequently approved by the Company's stockholders in March 2007. A total of 3,000,000 shares of common stock were authorized and reserved for issuance under the 2007 Plan. This reserve automatically increased on April 1 of each year through 2017 by an amount equal to the smaller of (a) five percent of the number of shares of common stock issued and outstanding on the immediately preceding March 31, or (b) a lesser amount

determined by the board of directors. As described below, the 2007 Plan was terminated in August 2016 and no further awards may be granted pursuant to the 2007 Plan. In the event of a stock split or other change in the Company's capital structure, appropriate adjustments will be made in the number of outstanding awards to prevent dilution or enlargement of participants' rights.

Awards could be granted under the 2007 Plan to the Company's employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. Options granted to non-officer employees generally vest at the rate of 25% on the first anniversary and subsequent anniversaries of the date of grant, while grants to officers vest in full four years after the anniversary date of the officer's employment that is closest to the date of grant.

In the event of a change in control as described in the 2007 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2007 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The administrator may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all nonemployee director awards will automatically be accelerated in full. The 2007 Plan also authorizes the administrator, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each vested share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

The 2016 Equity Incentive Plan

In June 2016, the Company's board of directors approved the 2016 Equity Incentive Plan, (the "2016 Plan"), which was subsequently approved by the Company's stockholders in August 2016. In connection with the stockholders' approval of the 2016 Plan, 6,000,000 shares available for future award under the 2007 Plan were transferred to the 2016 Plan, 705,699 shares available for grant under the 2007 plan were canceled and the 2007 Plan was terminated. The Company granted options under the 2007 Plan until August 2016, and the 2007 Plan continues to govern the terms of options that remain outstanding under the 2007 Plan.

Appropriate and proportionate adjustments will be made to the number of shares authorized and other numerical limits in the 2016 Plan and to outstanding awards in the event of any change in the Company's common stock through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in the Company's capital structure, or if the Company makes a distribution to its stockholders in a form other than common stock (excluding regular, periodic cash dividends) that has a material effect on the fair market value of the Company's common stock. In such circumstances, the administrator also has the discretion under the 2016 Plan to adjust other terms of outstanding awards as it deems appropriate.

If any award granted under the 2016 Plan expires or otherwise terminates for any reason without having been exercised or settled in full, or if shares subject to forfeiture or repurchase are forfeited or repurchased by the Company for not more than the participant's purchase price, any such shares reacquired or subject to a terminated award will again become available for issuance under the 2016 Plan. Shares will not be treated as having been issued under the 2016 Plan and will therefore not reduce the number of shares available for issuance to the extent an award is settled in cash or to the extent that shares are withheld or reacquired by the Company in satisfaction of a tax withholding obligation. Upon the exercise of a stock appreciation right, tender of shares in payment of an option's

exercise price or net-exercise of an option, the number of shares available under the 2016 Plan will be reduced by number of shares actually issued in settlement of the award.

To enable compensation provided in connection with certain types of awards intended to qualify as “performance-based” within the meaning of Section 162(m) of the Internal Revenue Code, the 2016 Plan establishes limits on the maximum aggregate number of shares or dollar value for which awards may be granted to an employee in any fiscal year, as follows:

- No more than 300,000 shares subject to stock options and stock appreciation rights.
- No more than 100,000 shares subject to restricted stock and restricted stock unit awards.
- For each full fiscal year of the Company contained in the performance period of performance shares or performance unit awards, no more than 50,000 shares subject to performance share awards or more than \$500,000 subject to performance unit awards.
- For each full fiscal year of the Company contained in the performance period of cash-based or other stock-based awards, no more than \$500,000 subject to cash-based awards or more than 50,000 shares subject to other stock-based awards.

Awards may be granted under the 2016 Plan to the Company’s employees, including officers, directors and consultants or those of any present or future parent or subsidiary corporation or other affiliated entity of the Company. To date, options granted to non-officer employees generally vest 25% on the first anniversary and subsequent anniversaries of the date of grant, while grants to officers vest in full four years after the anniversary date of the officer’s employment that is closest to the date of grant.

While the Company may grant incentive stock options only to employees, the Company may grant nonstatutory stock options, stock appreciation rights, restricted stock and stock units, performance shares and units, other stock-based awards and cash-based awards to any eligible participant. Non-employee director awards may be granted only to members of the Company’s board of directors who, at the time of grant, are not employees.

Only members of the board of directors who are not employees at the time of grant are eligible to participate in the nonemployee director awards component of the 2016 Plan. The board or the compensation committee shall set the amount and type of nonemployee director awards to be awarded on a periodic, non-discriminatory basis. Nonemployee director awards may be granted in the form of NSOs, stock appreciation rights, restricted stock awards and restricted stock unit awards. Subject to adjustment for changes in the Company’s capital structure, no nonemployee director may be awarded, in any fiscal year, one or more nonemployee director awards for more than a number of shares determined by dividing \$150,000 by the fair market value of a share of the Company’s stock determined on the last trading day immediately preceding the date on which the applicable nonemployee award is granted.

The 2016 Plan provides that, without the approval of a majority of the votes cast in person or by proxy at a meeting of the Company’s stockholders, the administrator may not provide for any of the following with respect to underwater options or stock appreciation rights: (1) either the cancellation of such outstanding options or stock appreciation rights in exchange for the grant of new options or stock appreciation rights at a lower exercise price or the amendment of outstanding options or stock appreciation rights to reduce the exercise price, (2) the issuance of new full value awards in exchange for the cancellation of such outstanding options or stock appreciation rights, or (3) the cancellation of such outstanding options or stock appreciation rights in exchange for payments in cash.

In the event of a change in control as described in the 2016 Plan, the surviving, continuing, successor or purchasing entity or its parent may, without the consent of any participant, either assume or continue outstanding

awards or substitute substantially equivalent awards for its stock. If so determined by the Committee, stock-based awards will be deemed assumed if, for each share subject to the award prior to the change in control, its holder is given the right to receive the same amount of consideration that a stockholder would receive as a result of the change in control. Any awards which are not assumed or continued in connection with a change in control or exercised or settled prior to the change in control will terminate effective as of the time of the Change in Control. The administrator may provide for the acceleration of vesting or settlement of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all nonemployee director awards will automatically be accelerated in full. The 2016 Plan also authorizes the administrator, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares of stock upon a change in control in exchange for a payment to the participant with respect each vested share (and each unvested share if so determined by the administrator) subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise or purchase price per share, if any, under the award.

The 2007 Employee Stock Purchase Plan

In January 2007, the board of directors approved the 2007 Employee Stock Purchase Plan (the “2007 Purchase Plan”) which was subsequently approved by the Company’s stockholders in March 2007. A total of 500,000 shares of the Company’s common stock was authorized and reserved for sale under the 2007 Purchase Plan. In addition, the 2007 Purchase Plan provides for an automatic annual increase in the number of shares available for issuance under the plan on April 1 of each year beginning in 2008 and continuing through and including April 1, 2017 equal to the lesser of (1) one percent of the number of issued and outstanding shares of common stock on the immediately preceding March 31, (2) 250,000 shares or (3) a number of shares as the board of directors may determine. Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants’ rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights that expire or are canceled will again become available for issuance under the 2007 Purchase Plan.

The Company’s employees and employees of any parent or subsidiary corporation designated by the administrator will be eligible to participate in the 2007 Purchase Plan if they are customarily employed by us for more than 20 hours per week and more than five months in any calendar year. However, an employee may not be granted a right to purchase stock under the 2007 Purchase Plan if: (1) the employee immediately after such grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock or of any parent or subsidiary corporation, or (2) the employee’s rights to purchase stock under all of our employee stock purchase plans would accrue at a rate that exceeds \$25,000 in value for each calendar year of participation in such plans.

The 2007 Purchase Plan is designed to be implemented through a series of sequential offering periods, generally six (6) months in duration beginning on the first trading day on or after May 1 and November 1 of each year. The administrator is authorized to establish additional or alternative sequential or overlapping offering periods and offering periods having a different duration or different starting or ending dates, provided that no offering period may have a duration exceeding 27 months.

Amounts accumulated for each participant under the 2007 Purchase Plan are used to purchase shares of the Company’s common stock at the end of each offering period at a price generally equal to 85% of the lower of the fair market value of our common stock at the beginning of an offering period or at the end of the offering period. Prior to commencement of an offering period, the administrator is authorized to reduce, but not increase, this purchase price discount for that offering period, or, under circumstances described in the 2007 Purchase Plan, during that offering period. The maximum number of shares a participant may purchase in any six-month offering period is the lesser of (i) that number of shares determined by multiplying (x) 1,000 shares by (y) the number of months

(rounded to the nearest whole month) in the offering period and rounding to the nearest whole share or (ii) that number of whole shares determined by dividing (x) the product of \$2,083.33 and the number of months (rounded to the nearest whole month) in the offering period and rounding to the nearest whole dollar by (y) the fair market value of a share of our common stock at the beginning of the offering period. Prior to the beginning of any offering period, the administrator may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the administrator will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded, without interest. During fiscal 2021, 123,487 shares of common stock were issued under the 2007 Purchase Plan.

In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under the 2007 Purchase Plan. If the acquiring or successor corporation does not assume such rights and obligations, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control.

The following table summarizes stock option activities:

	Shares Available for Grant	Number of Shares Underlying Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Intrinsic Value
Balance at March 31, 2018	4,444,301	7,874,267		\$ 5.45	
Granted	(1,097,893)	1,097,893		\$ 6.74	
Exercised.	—	(823,456)		\$ 4.00	\$ 2,782,691
Forfeited	80,140	(131,675)		\$ 5.60	
Balance at March 31, 2019	3,426,548	8,017,029		\$ 5.77	
Granted	(1,011,708)	1,011,708		\$ 8.11	
Exercised.	—	(772,667)		\$ 4.39	\$ 2,614,879
Forfeited	107,474	(120,279)		\$ 7.03	
Balance at March 31, 2020	2,522,314	8,135,791		\$ 6.17	
Granted	(1,285,252)	1,285,252		\$ 6.46	
Exercised.	—	(667,503)		\$ 5.99	\$ 961,633
Forfeited	94,500	(320,663)		\$ 7.84	
Balance at March 31, 2021	<u>1,331,562</u>	<u>8,432,877</u>	5.63	\$ 6.17	
Options vested and exercisable.		<u>5,234,179</u>	4.00	\$ 5.63	<u>\$ 6,186,222</u>
Options vested and expected to vest.		<u>8,350,591</u>	5.60	\$ 6.16	<u>\$ 6,862,744</u>

The options outstanding and by exercise price at March 31, 2021 are as follows:

Exercise Price			Number of Shares Underlying Options Outstanding	Options Outstanding		Options Exercisable	
				Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Vested and Exercisable	Weighted Average Exercise Price
\$ 3.40	-	4.81	876,282	\$ 4.06	3.09	876,282	\$ 4.06
\$ 4.90	-	4.99	1,218,701	\$ 4.97	4.32	1,218,701	\$ 4.97
\$ 5.13	-	5.59	902,534	\$ 5.32	3.43	902,534	\$ 5.32
\$ 5.69	-	5.83	854,167	\$ 5.81	7.11	270,474	\$ 5.76
\$ 5.91	-	6.45	874,207	\$ 6.16	6.10	521,676	\$ 6.19
\$ 6.54	-	6.70	999,805	\$ 6.66	5.37	454,858	\$ 6.61
\$ 6.86	-	7.26	1,036,947	\$ 7.08	5.30	557,923	\$ 6.95
\$ 7.40	-	8.06	973,981	\$ 7.68	8.67	324,101	\$ 7.68
\$ 8.09			82,360	\$ 8.09	6.83	61,657	\$ 8.09
\$ 8.30			613,893	\$ 8.30	8.33	45,973	\$ 8.30
			<u>8,432,877</u>	\$ 6.17	5.63	<u>5,234,179</u>	\$ 5.63

Stock-based compensation

The Company recognized \$2.9 million, \$2.6 million and \$2.3 million of stock-based compensation expense for the years ended March 31, 2021, 2020 and 2019, respectively, as follows:

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
Cost of revenues	\$ 346	\$ 257	\$ 234
Research and development	1,509	1,487	1,310
Selling, general and administrative	999	822	722
Total	<u>\$ 2,854</u>	<u>\$ 2,566</u>	<u>\$ 2,266</u>

Stock-based compensation expense in the years ended March 31, 2021, 2020 and 2019 included \$276,000, \$220,000 and \$211,000, respectively, related to the Company's Employee Stock Purchase Plan.

No tax benefit was recognized in either fiscal 2021 or fiscal 2020 due to a full valuation allowance. There were no windfall tax benefits realized from exercised stock options recognized in fiscal 2021 or fiscal 2020. Compensation cost capitalized within inventory at March 31, 2021 and 2020 was not material. As of March 31, 2021, the Company's total unrecognized compensation cost was \$5.3 million, which will be recognized over the

weighted average period of 2.01 years. The Company calculated the fair value of stock based awards in the periods presented using the Black-Scholes option pricing model and the following weighted average assumptions:

	Year Ended March 31,		
	2021	2020	2019
Stock Option Plans:			
Risk-free interest rate	0.22 - 0.42 %	1.35 - 2.30 %	2.53 - 2.91 %
Expected life (in years)	5.00	5.00	5.00
Volatility	41.9 - 47.6 %	36.5 - 39.7 %	35.6 - 37.3 %
Dividend yield	— %	— %	— %
Employee Stock Purchase Plan:			
Risk-free interest rate	0.12 - 0.15 %	1.58 - 2.43 %	2.09 - 2.50 %
Expected life (in years)	0.50	0.50	0.50
Volatility	67.1 - 68.6 %	33.5 - 43.1 %	32.6 - 37.7 %
Dividend yield	— %	— %	— %

The weighted average fair value of options granted during the years ended March 31, 2021, 2020 and 2019 was \$2.55, \$2.86 and \$2.44, respectively.

NOTE 12—RELATED PARTY TRANSACTION

The Company incurred non-recurring engineering service expense and manufacturing services of approximately \$482,000 and \$357,000 during the fiscal years ended March 31, 2021 and 2020, respectively, from Wistron Neweb Corp (“WNC”) in connection with the design, development and manufacture of single-APU PCIe boards and LEDA-G production boards, to be used in the Company’s in-place associative computing product. Haydn Hsieh, a member of the Company’s board of directors, is the Chairman and Chief Strategy Officer of WNC. The amount owed to WNC, of \$155,000 and \$37,000 at March 31, 2021 and 2020, respectively, is included in accounts payable in the Consolidated Balance Sheets.

NOTE 13—SEGMENT AND GEOGRAPHIC INFORMATION

Based on its operating management and financial reporting structure, the Company has determined that it has one reportable business segment: the design, development and sale of integrated circuits.

The following is a summary of net revenues by geographic area based on the location to which product is shipped:

	Year Ended March 31,		
	2021	2020	2019
	(In thousands)		
United States	\$ 12,375	\$ 17,505	\$ 19,327
China	2,454	6,079	4,458
Singapore	4,074	6,556	7,592
Netherlands	5,555	5,463	11,093
Germany	2,395	6,604	7,478
Rest of the world	876	1,136	1,538
	<u>\$ 27,729</u>	<u>\$ 43,343</u>	<u>\$ 51,486</u>

All sales are denominated in United States dollars.

The locations and net book value of long-lived assets are as follows:

	March 31,	
	2021	2020
	(In thousands)	
United States	\$ 6,948	\$ 7,340
Taiwan	92	369
Israel	288	410
	<u>\$ 7,328</u>	<u>\$ 8,119</u>

NOTE 14—ACQUISITION

On November 23, 2015, the Company acquired all of the outstanding capital stock of privately held MikaMonu Group Ltd. (“MikaMonu”), a development-stage, Israel-based company that specialized in in-place associative computing for markets including big data, computer vision and cyber security. MikaMonu, located in Tel Aviv, held 12 United States patents and had a number of pending patent applications.

The acquisition was accounted for as a purchase under authoritative guidance for business combinations. The purchase price of the acquisition was allocated to the intangible assets acquired, with the excess of the purchase price over the fair value of assets acquired recorded as goodwill. The Company performs a goodwill impairment test in February of each fiscal year.

Consideration

Under the terms of the acquisition agreement, the Company paid the former MikaMonu shareholders initial cash consideration of approximately \$4.9 million. The Company is also required to pay the former MikaMonu shareholders future contingent consideration consisting of retention payments and “earnout” payments, as described below.

The Company made cash retention payments of \$2.5 million to the three former MikaMonu shareholders in installments over a four-year period, that were conditioned on the continued employment of Dr. Avidan Akerib, MikaMonu’s co-founder and chief technologist. The retention amount of \$2.5 million was deposited in escrow. Of this amount, \$743,000, \$750,000 and \$1.0 million was paid to the former MikaMonu shareholders during the quarters ended December 31, 2017, 2018 and 2019, respectively. The Company is not required to make any further retention payments.

The Company will also make “earnout” payments to the former MikaMonu shareholders in cash or shares of the Company’s common stock, at the Company’s discretion, during a period of up to ten years following the closing if certain product development milestones and revenue targets for products based on the MikaMonu technology are achieved. Earnout amounts of \$750,000 were paid in the fiscal year ended March 31, 2021 based on the achievement of certain product development milestones. Additional earnout amounts of \$4.0 million will be payable if certain revenue milestones are achieved by January 1, 2022, and additional payments, up to a maximum of \$30.0 million, equal to 5% of net revenues from the sale of qualifying products in excess of certain thresholds, will be made quarterly through December 31, 2025.

The portion of the retention payment contingently payable to Dr. Akerib (approximately \$1.2 million) was recorded as compensation expense over the period that his services were provided to the Company. The portion of the retention payment made to the other former MikaMonu shareholders (approximately \$1.3 million) plus the

maximum amount of the potential earnout payments as of March 31, 2021 totals approximately \$36.0 million. The Company determined that the fair value of this contingent consideration liability was \$5.8 million at the acquisition date. The contingent consideration liability is included in contingent consideration, non-current on the Consolidated Balance Sheet at March 31, 2021 and 2020 in the amount of \$4.2 million and \$3.9 million, respectively.

At each reporting period, the contingent consideration liability is re-measured to fair value with changes recorded in selling, general and administrative expenses in the Consolidated Statements of Operations. Re-measurement of the contingent consideration liability resulted in an increase (reduction) in fair value for the years ended March 31, 2021, 2020 and 2019 of \$229,000, \$80,000 and (\$326,000), respectively. See Note 7 for the valuation of contingent consideration.

NOTE 15—EMPLOYEE BENEFIT PLANS

The Company provides a defined contribution retirement plan (the “Retirement Plan”), which qualifies under Section 401(k) of the Internal Revenue Code of 1986. The Retirement Plan covers essentially all United States employees. Eligible employees may make contributions to the Retirement Plan up to 15% of their annual compensation, but no greater than the annual IRS limitation for any plan year. The Retirement Plan does not provide for Company contributions.

The Company provides a defined contribution retirement plan (the “Taiwan Pension Plan”) that covers essentially all of its employees located in Taiwan. The Company makes contributions to the Taiwan Pension Plan equal to 6% of eligible compensation and employees can make voluntary contributions of up to 6% of eligible compensation. All contributions are fully vested.

The Company provides a defined contribution retirement plan (the “Pension Plan”) that covers essentially all of its employees located in Israel. Eligible employees may make contributions to the Pension Plan up to 6% of eligible compensation, and the Company contributes up to 15.83% of eligible compensation. All contributions are fully vested.

NOTE 16—QUARTERLY FINANCIAL DATA (Unaudited)

	Three Months Ended			
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
(In thousands, except per share amounts)				
Consolidated Statements of Operations Data:				
Net revenues.....	\$ 6,621	\$ 6,659	\$ 6,763	\$ 7,686
Gross profit	\$ 3,050	\$ 3,112	\$ 3,197	\$ 3,858
Net loss.....	\$ (6,076)	\$ (5,231)	\$ (5,216)	\$ (4,982)
Net loss per common share—Basic	\$ (0.26)	\$ (0.22)	\$ (0.22)	\$ (0.21)
Net loss per common share—Diluted	\$ (0.26)	\$ (0.22)	\$ (0.22)	\$ (0.21)

	Three Months Ended			
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
(In thousands, except per share amounts)				
Consolidated Statements of Operations Data:				
Net revenues.....	\$ 13,019	\$ 11,740	\$ 10,049	\$ 8,535
Gross profit	\$ 8,243	\$ 6,568	\$ 6,049	\$ 4,483
Net loss.....	\$ (125)	\$ (1,768)	\$ (4,620)	\$ (3,824)
Net loss per common share—Basic	\$ (0.01)	\$ (0.08)	\$ (0.20)	\$ (0.16)
Net loss per common share—Diluted	\$ (0.01)	\$ (0.08)	\$ (0.20)	\$ (0.16)

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Management's Evaluation of Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2021, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report for the purpose of ensuring that the information required to be disclosed by us in the reports we file or submit under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that the information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in order to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within GSI Technology, have been detected.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of March 31, 2021. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (2013)*. Based on our assessment using those criteria, our management (including our Chief Executive Officer and Chief Financial Officer) concluded that our internal control over financial reporting was effective as of March 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2021 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report which appears on page 49 of this Annual Report on Form 10-K.

Item 9B. *Other Information*

Not applicable.

PART III

The SEC allows us to include information required in this report by referring to other documents or reports we have already filed or will soon be filing. This is called “incorporation by reference.” We intend to file our definitive proxy statement for our 2021 annual meeting of stockholders (the “Proxy Statement”) pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report, and certain information therein is incorporated in this report by reference.

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item with respect to executive officers is set forth in Part I of this Annual Report on Form 10-K and the remaining information required by this item is incorporated by reference from the sections entitled “Proposal No. 1 - Election of Directors” and “Corporate Governance” to be included in the Proxy Statement.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference from the section entitled “Executive Compensation” to be included in the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is incorporated by reference from the sections entitled “Principal Stockholders and Stock Ownership by Management” and “Executive Compensation – Equity Compensation Plan Information” to be included in the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is incorporated by reference from the section entitled “Related Person Transactions” and “Corporate Governance—Director Independence” to be included in the Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required by this item is incorporated by reference from the section entitled “Proposal No. 2 - Ratification of Appointment of Independent Registered Public Accounting Firm” to be included in the Proxy Statement.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) The following documents are filed as part of this Form:

1. *Financial Statements*

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm	47
Consolidated Balance Sheets As of March 31, 2021 and 2020	50
Consolidated Statements of Operations For the Three Years Ended March 31, 2021, 2020 and 2019.....	51
Consolidated Statements of Comprehensive Income (Loss) For the Three Years Ended March 31, 2021, 2020 and 2019	52
Consolidated Statements of Stockholders' Equity For the Three Years Ended March 31, 2021, 2020 and 2019.....	53
Consolidated Statements of Cash Flows For the Three Years Ended March 31, 2021, 2020 and 2019.....	54
Notes to Consolidated Financial Statements	55

2. *Financial Statement Schedules*

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable, is not material or is shown in the consolidated financial statements or the notes thereto.

3. Exhibits:

The following exhibits are filed herewith:

Exhibit Number	Name of Document
3.1	Restated Certificate of Incorporation of Registrant (Incorporated by reference to Exhibit 3.3 to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on February 16, 2007)
3.2	Bylaws of Registrant (Incorporated by reference to Exhibit 3.4 to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on February 16, 2007)
4.1	Description of Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934
10.1	Form of Indemnity Agreement between Registrant and Registrant's directors and officers (Incorporated by reference to identically-numbered exhibit to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on January 10, 2007)
10.2	(1) 2007 Equity Incentive Plan, as amended (Incorporated by reference to Appendix A to Registrant's definitive Proxy Statement filed on July 21, 2011)
10.3	(1) 2007 Employee Stock Purchase Plan and form of Subscription Agreement (Incorporated by reference to identically-numbered exhibit to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on February 16, 2007)
10.4	(1) Form of Notice of Grant of Stock Option (U.S. Participant) (Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K filed on June 4, 2007)
10.5	(1) Form of Notice of Grant of Stock Option (Non-U.S. Participant) (Incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K filed on June 4, 2007)
10.6	(1) Form of Stock Option Agreement (U.S. Participant) (Incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K filed on June 4, 2007)
10.7	(1) Form of Stock Option Agreement (Non-U.S. Participant) (Incorporated by reference to Exhibit 99.4 to Registrant's Current Report on Form 8-K filed on June 4, 2007)
10.8	Intellectual Property Agreement dated August 28, 2009 between GSI Technology, Inc. and Sony Electronics Inc. (Incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on November 16, 2009)
10.9	(2) Master Purchase Agreement dated August 31, 2011 between Registrant and Cisco Systems, Inc. (Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on November 4, 2011)
10.10	(2) Master Purchase Agreement dated August 31, 2011 between Registrant and Cisco Systems International B.V. (Incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on November 4, 2011)

- 10.11 Stock Purchase Agreement dated November 23, 2015 among GSI Technology, Inc., GSI Technology Holdings, Inc. and MikaMonu Group Ltd. (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on February 4, 2016)
- 10.12 (1) GSI Technology, Inc. 2017 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on July 5, 2016)
- 10.13 (1) GSI Technology, Inc. 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K/A filed on September 2, 2016)
- 10.14 (1) Form of Notice of Grant of Stock Option (U.S. Participant) under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to Registrant's Form 10-Q filed on November 4, 2016)
- 10.15 (1) Form of Notice of Grant of Stock Option (Non-U.S. Participant) under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.3 to Registrant's Form 10-Q filed on November 4, 2016)
- 10.16 (1) Form of Stock Option Agreement (U.S. Participant) under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.4 to Registrant's Form 10-Q filed on November 4, 2016)
- 10.17 (1) Form of Stock Option Agreement (Non-U.S. Participant) under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.5 to Registrant's Form 10-Q filed on November 4, 2016)
- 10.18 (1) GSI Technology, Inc. 2018 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 1, 2017)
- 10.19 (1) GSI Technology, Inc. Executive Retention and Severance Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on October 3, 2014)
- 10.20 (1) First Amendment to the GSI Technology, Inc. Executive Retention and Severance Plan dated August 29, 2017 (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 31, 2018)
- 10.21 (1) Second Amendment to the GSI Technology, Inc. Executive Retention and Severance Plan dated August 27, 2020 (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 28, 2020)
- 10.22 Factory Lease Agreement for No. 1, 6th Floor, 30 Tai-Yuan Street, Chu-Pei City, Taiwan dated August 31, 2017 (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on September 27, 2017)
- 10.23 (1) GSI Technology, Inc. 2019 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on May 31, 2018)
- 10.24 (1) GSI Technology, Inc. 2020 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 12, 2019)
- 10.25 (1) GSI Technology, Inc. 2021 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 4, 2020)
- 10.26 Factory Lease Agreement for No. 1, 6th Floor, 30 Tai-Yuan Street, Chu-Pei City, Taiwan dated August 13, 2020 (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 19, 2020)
- 10.27 (1) GSI Technology, Inc. 2022 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 4, 2021)
- 21.1 List of Subsidiaries

23.1	Consent of Independent Registered Public Accounting Firm – BDO USA, LLP
24.1	Power of Attorney (Incorporated by reference to the signature page of this Annual Report on Form 10-K)
31.1	Certification of Lee-Lean Shu, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Douglas Schirle, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Lee-Lean Shu, President and Chief Executive Officer, and Douglas Schirle, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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- (1) Compensatory plan or management contract.
 - (2) This exhibit has been filed separately with the Commission pursuant to an application for confidential treatment which has been granted by the Commission. The confidential portions of this exhibit have been omitted and marked by asterisks.

Item 16. *Form 10-K Summary*

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

June 4, 2021

GSI TECHNOLOGY, INC.

By: /s/ DOUGLAS M. SCHIRLE
Douglas M. Schirle
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Lee-Lean Shu and Robert Yau, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
<u>/s/ LEE-LEAN SHU</u> Lee-Lean Shu	President, Chief Executive Officer and Chairman <i>(Principal Executive Officer)</i>	June 4, 2021
<u>/s/ DOUGLAS M. SCHIRLE</u> Douglas M. Schirle	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	June 4, 2021
<u>/s/ ROBERT YAU</u> Robert Yau	Vice President, Engineering, Secretary and Director	June 4, 2021
<u>/s/ JACK A. BRADLEY</u> Jack A. Bradley	Director	June 4, 2021
<u>/s/ ELIZABETH CHOLAWSKY</u> Elizabeth Cholawsky	Director	June 4, 2021
<u>/s/ HAYDN HSIEH</u> Haydn Hsieh	Director	June 4, 2021
<u>/s/ KIM LE</u> Kim Le	Director	June 4, 2021
<u>/s/ RUEY L. LU</u> Ruey L. Lu	Director	June 4, 2021
<u>/s/ ARTHUR O. WHIPPLE</u> Arthur O. Whipple	Director	June 4, 2021

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Board of Directors

Lee-Lean Shu

Chairman of the Board, President and Chief Executive Officer
GSI Technology, Inc.

Jack A. Bradley

Partner, David Powell Financial Services

Elizabeth Cholowsky

Chief Executive Officer
HG Insights Inc.

Haydn Hsieh

Chairman and Chief Strategy Officer
Wistron NeWeb Corporation

Kim Le

Founder and CEO of A2Q2 Corporation and SASI Robotics

Ruey L. Lu

President
EMPIA Technology

Arthur O. Whipple

Former President of ABBYY USA
Software, Inc.

Robert Yau

Vice President, Engineering
GSI Technology, Inc.

Executive Officers

Lee-Lean Shu

President and Chief Executive Officer

Didier Lasserre

Vice President, Sales

Douglas Schirle

Chief Financial Officer

Bor-Tay Wu

Vice President, Taiwan Operations

Ping Wu

Vice President, U.S. Operations

Robert Yau

Vice President, Engineering

Annual Meeting of Stockholders

The annual meeting of stockholders will be held on Thursday, August 26, 2021 at 2:00 p.m. PDT, virtually via audio webcast at meetings.computershare.com/MRA7A5L

Corporate Offices

GSI Technology, Inc.
1213 Elko Drive
Sunnyvale, California 94089
408-331-8800
<http://www.gsistechnology.com>

General Counsel

DLA Piper LLP (US)
East Palo Alto, California

Investor Relations

Hayden IR
Scottsdale, Arizona
646-536-7331

Independent Registered Public Accounting Firm

BDO USA, LLP
San Jose, California

Transfer Agent and Stock Registrar

First Class/Registered/Certified Mail:
Computershare
P.O. Box 505000
Louisville, KY 40233

Courier Services:

Computershare
462 South 4th Street, Suite 1600
Louisville, KY 40202

Shareholder Services Number:
800-368-5948

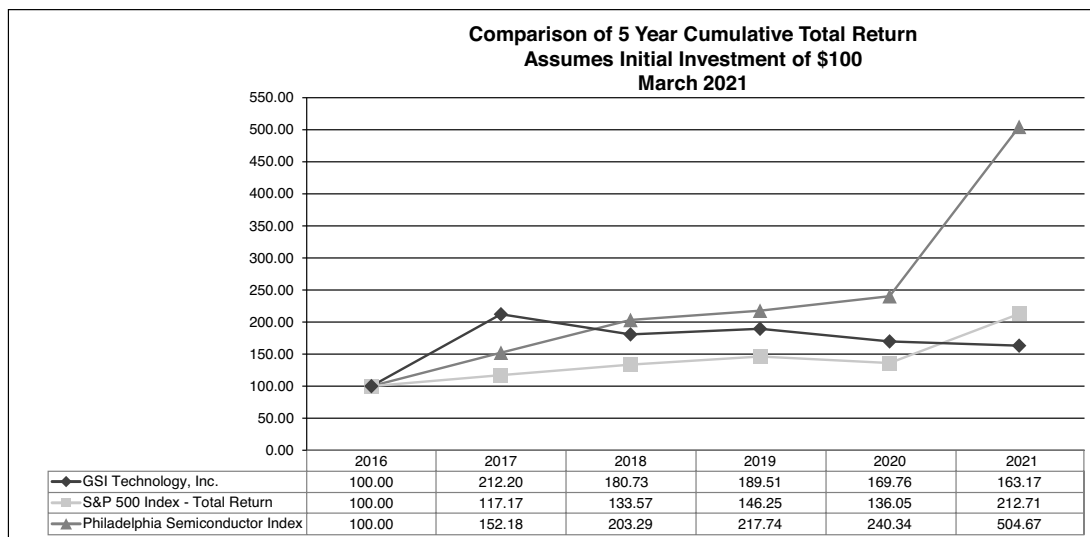
Investor Centre™ portal:
www.computershare.com/investor

Additional Information

Additional copies of our annual report on Form 10-K, as filed with the Securities and Exchange Commission, can be obtained, free of charge, on our Web site or upon written request by mail or e-mail to our corporate offices, Attention Investor Relations, at the address indicated above.

Stock Performance Graph

The line graph and table below compare the cumulative total stockholder return on our common stock with the cumulative total return of the Standard and Poor's 500 Index and the Philadelphia Semiconductor Sector Index for the period beginning on March 31, 2016 through March 31, 2021. The graph and table assume that \$100 was invested on March 31, 2016 in each of our common stock, the Standard and Poor's 500 Index and the Philadelphia Semiconductor Sector Index. No cash dividends have been declared on our stock. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.



www.gsitechnology.com

Corporate Office
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Sunnyvale, CA 94089
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