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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2023

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

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 Exchange Act.

Large accelerated filer

Non-accelerated filer

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the registrant's common stock outstanding as of January 31, 2024: 25,295,047.

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GSI TECHNOLOGY, INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2023

	<u>Page</u>
<b><u>PART I — FINANCIAL INFORMATION</u></b>	
<a href="#">Item 1. Financial Statements (unaudited)</a>	2
<a href="#">Condensed Consolidated Balance Sheets</a>	2
<a href="#">Condensed Consolidated Statements of Operations</a>	3
<a href="#">Condensed Consolidated Statements of Comprehensive Loss</a>	4
<a href="#">Condensed Consolidated Statements of Stockholders' Equity</a>	5
<a href="#">Condensed Consolidated Statements of Cash Flows</a>	6
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	7
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	19
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>	26
<a href="#">Item 4. Controls and Procedures</a>	27
<b>PART II — OTHER INFORMATION</b>	
<a href="#">Item 1A. Risk Factors</a>	28
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	46
<a href="#">Item 5. Other information</a>	46
<a href="#">Item 6. Exhibits</a>	46
<a href="#">Signatures</a>	47

**PART I — FINANCIAL INFORMATION****Item 1. Financial Statements (unaudited)****GSI TECHNOLOGY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
	<u>(In thousands, except share and per share amounts)</u>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,575	\$ 27,212
Short-term investments	—	3,363
Accounts receivable, net	2,377	3,471
Inventories	5,504	6,415
Prepaid expenses and other current assets (\$375 and \$0 from a related party)	2,079	1,414
Total current assets	<u>31,535</u>	<u>41,875</u>
Property and equipment, net	6,916	7,423
Operating lease right-of-use assets	887	684
Goodwill	7,978	7,978
Intangible assets, net	1,614	1,790
Deposits	125	126
Total assets	<u>\$ 49,055</u>	<u>\$ 59,876</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable (\$394 and \$8 to a related party)	\$ 1,279	\$ 1,621
Lease liabilities, current	346	413
Accrued expenses and other liabilities	6,795	5,168
Total current liabilities	<u>8,420</u>	<u>7,202</u>
Deferred tax liability	14	12
Lease liabilities, non-current	542	238
Contingent consideration, non-current	495	1,052
Total liabilities	<u>9,471</u>	<u>8,504</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: 25,295,047 and 24,685,059 shares, respectively	25	25
Additional paid-in capital	59,891	55,953
Accumulated other comprehensive loss	(87)	(127)
Retained deficit	(20,245)	(4,479)
Total stockholders' equity	<u>39,584</u>	<u>51,372</u>
Total liabilities and stockholders' equity	<u>\$ 49,055</u>	<u>\$ 59,876</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**GSI TECHNOLOGY, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	<u>Three Months Ended December 31,</u>		<u>Nine Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>(In thousands, except per share amounts)</u>		<u>(In thousands, except per share amounts)</u>	
Net revenues	\$ 5,318	\$ 6,447	\$ 16,613	\$ 24,309
Cost of revenues (\$125, \$4, \$125 and \$201 to a related party)	2,343	2,741	7,448	9,636
Gross profit	<u>2,975</u>	<u>3,706</u>	<u>9,165</u>	<u>14,673</u>
Operating expenses:				
Research and development	6,976	5,529	16,871	18,543
Selling, general and administrative	2,684	2,966	8,211	8,066
Total operating expenses	<u>9,660</u>	<u>8,495</u>	<u>25,082</u>	<u>26,609</u>
Loss from operations	(6,685)	(4,789)	(15,917)	(11,936)
Interest income, net	150	118	424	195
Other income (expense), net	5	(57)	(118)	(94)
Loss before income taxes	(6,530)	(4,728)	(15,611)	(11,835)
Provision for income taxes	71	84	155	181
Net loss	<u>\$ (6,601)</u>	<u>\$ (4,812)</u>	<u>\$ (15,766)</u>	<u>\$ (12,016)</u>
Net loss per share:				
Basic	<u>\$ (0.26)</u>	<u>\$ (0.20)</u>	<u>\$ (0.63)</u>	<u>\$ (0.49)</u>
Diluted	<u>\$ (0.26)</u>	<u>\$ (0.20)</u>	<u>\$ (0.63)</u>	<u>\$ (0.49)</u>
Weighted average shares used in per share calculations:				
Basic	<u>25,256</u>	<u>24,621</u>	<u>25,094</u>	<u>24,566</u>
Diluted	<u>25,256</u>	<u>24,621</u>	<u>25,094</u>	<u>24,566</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**GSI TECHNOLOGY, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**(Unaudited)**

	<u>Three Months Ended December 31,</u>		<u>Nine Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>(In thousands)</u>		<u>(In thousands)</u>	
Net loss	\$ (6,601)	\$ (4,812)	\$ (15,766)	\$ (12,016)
Net unrealized gain on available-for-sale investments	4	34	40	9
Total comprehensive loss	<u>\$ (6,597)</u>	<u>\$ (4,778)</u>	<u>\$ (15,726)</u>	<u>\$ (12,007)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

GSi TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited)

	Common Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Paid-in	Other	Deficit	Stockholders'
			Capital	Comprehensive		Equity
			(In thousands,	Loss		
			except share amounts)			
<b>Three months ended December 31, 2023</b>						
Balance, September 30, 2023	25,216,143	\$ 25	\$ 59,075	\$ (91)	\$ (13,644)	\$ 45,365
Issuance of common stock under employee stock option plans	78,904	—	167	—	—	167
Stock-based compensation expense	—	—	649	—	—	649
Net loss	—	—	—	—	(6,601)	(6,601)
Net unrealized gain on available-for-sale investments	—	—	—	4	—	4
Balance, December 31, 2023	<u>25,295,047</u>	<u>\$ 25</u>	<u>\$ 59,891</u>	<u>\$ (87)</u>	<u>\$ (20,245)</u>	<u>\$ 39,584</u>
<b>Three months ended December 31, 2022</b>						
Balance, September 30, 2022	24,553,753	\$ 25	\$ 54,560	\$ (179)	\$ 4,294	\$ 58,700
Issuance of common stock under employee stock option plans	131,306	—	223	—	—	223
Stock-based compensation expense	—	—	655	—	—	655
Net loss	—	—	—	—	(4,812)	(4,812)
Net unrealized gain on available-for-sale investments	—	—	—	34	—	34
Balance, December 31, 2022	<u>24,685,059</u>	<u>\$ 25</u>	<u>\$ 55,438</u>	<u>\$ (145)</u>	<u>\$ (518)</u>	<u>\$ 54,800</u>
<b>Nine months ended December 31, 2023</b>						
Balance, March 31, 2023	24,685,059	\$ 25	\$ 55,953	\$ (127)	\$ (4,479)	\$ 51,372
Issuance of common stock under employee stock option plans	476,988	—	1,640	—	—	1,640
Issuance of common stock pursuant to an At-the-Market offering, net of offering costs of \$389	133,000	—	153	—	—	153
Stock-based compensation expense	—	—	2,145	—	—	2,145
Net loss	—	—	—	—	(15,766)	(15,766)
Net unrealized gain on available-for-sale investments	—	—	—	40	—	40
Balance, December 31, 2023	<u>25,295,047</u>	<u>\$ 25</u>	<u>\$ 59,891</u>	<u>\$ (87)</u>	<u>\$ (20,245)</u>	<u>\$ 39,584</u>
<b>Nine months ended December 31, 2022</b>						
Balance, March 31, 2022	24,486,239	\$ 24	\$ 53,083	\$ (154)	\$ 11,498	\$ 64,451
Issuance of common stock under employee stock option plans	198,820	1	401	—	—	402
Stock-based compensation expense	—	—	1,954	—	—	1,954
Net loss	—	—	—	—	(12,016)	(12,016)
Net unrealized gain on available-for-sale investments	—	—	—	9	—	9
Balance, December 31, 2022	<u>24,685,059</u>	<u>\$ 25</u>	<u>\$ 55,438</u>	<u>\$ (145)</u>	<u>\$ (518)</u>	<u>\$ 54,800</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

GSi TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended December 31,	
	2023	2022
(In thousands)		
Cash flows from operating activities:		
Net loss	\$ (15,766)	\$ (12,016)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for credit losses	(20)	(17)
Provision for excess and obsolete inventories	117	166
Non-cash lease expense	434	427
Change in fair value of contingent consideration	(557)	(845)
Depreciation and amortization	718	763
Stock-based compensation	2,145	1,954
Amortization of premium on investments	(2)	15
Changes in assets and liabilities:		
Accounts receivable	1,114	891
Inventories	794	(1,710)
Prepaid expenses and other assets	(663)	247
Accounts payable	256	116
Accrued expenses and other liabilities	1,229	(2,236)
Net cash used in operating activities	<u>(10,201)</u>	<u>(12,245)</u>
Cash flows from investing activities:		
Maturities of short-term investments	3,405	7,000
Purchases of property and equipment	(634)	(258)
Net cash provided by investing activities	<u>2,771</u>	<u>6,742</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under At-the-Market offering, net of offering costs of \$389	153	—
Proceeds from issuance of common stock under employee stock plans	1,640	402
Net cash provided by financing activities	<u>1,793</u>	<u>402</u>
Net decrease in cash and cash equivalents	(5,637)	(5,101)
Cash and cash equivalents at beginning of the period	27,212	36,971
Cash and cash equivalents at end of the period	<u>\$ 21,575</u>	<u>\$ 31,870</u>
Non-cash investing and financing activities:		
Operating lease right-of-use assets exchanged for lease obligations	\$ 637	\$ 376
Supplemental cash flow information:		
Net cash paid for income taxes	<u>\$ 323</u>	<u>\$ 139</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**GSI TECHNOLOGY, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of presentation***

The accompanying unaudited condensed consolidated financial statements of GSI Technology, Inc. and its subsidiaries (“GSI” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the interim financial statements do not include all of the information and footnotes required by GAAP for annual financial statements. These interim financial statements contain all adjustments (which consist of only normal, recurring adjustments) that are, in the opinion of management, necessary to state fairly the interim financial information included therein. The Company believes that the disclosures are adequate to make the information not misleading. However, these financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

The consolidated results of operations for the nine months ended December 31, 2023 are not necessarily indicative of the results to be expected for the entire fiscal year.

***Significant accounting policies***

There have been no material changes to our significant accounting policies that were disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

***Government Agreements***

From time to time, the Company may enter into agreements with federal government agencies. GAAP does not have specific accounting standards covering agreements between the government and business entities. The Company applies International Accounting Standards 20 (“IAS 20”), *Accounting for Government Grants and Disclosure of Government Assistance*, by analogy when accounting for agreements entered into with the government. Under IAS 20, government grants or awards are initially recognized when there is reasonable assurance the conditions of the grant or award will be met and the grant or award will be received. After initial recognition, government grants or awards are recognized on a systematic basis in a manner consistent with the manner in which the Company recognizes the underlying costs for which the grant or award is intended to compensate. The Company follows ASC 832, *Disclosures by Business Entities about Government Assistance*, with respect to the disclosures of government grants or awards.

***Credit Losses—Marketable Securities***

For marketable securities in an unrealized loss position, the Company periodically assesses its portfolio for impairment. The assessment first considers the intent or requirement to sell the marketable security. If either of these criteria are met, the amortized cost basis is written down to fair value through earnings.

Beginning April 1, 2023, if the criteria above are not met, the Company evaluates whether the decline resulted from credit losses or other factors by considering the extent to which fair value is less than amortized cost, any changes to the rating of the marketable security by a rating agency, and any adverse conditions specifically related to the marketable security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the marketable security is compared to the amortized cost basis of the marketable security. If the present value of cash flows expected to be collected is less than the amortized



cost basis, a credit loss exists and an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis. Any other impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive loss.

#### ***Credit Losses—Accounts Receivable***

Accounts receivable are recorded at the amounts billed less estimated allowances for credit losses for any potential uncollectible amounts. The Company continually monitors customer payments and maintains an allowance for estimated losses resulting from a customer's inability to make required payments. The Company considers factors such as historical experience, credit quality, age of the accounts receivable balances, and economic conditions that may affect a customer's ability to pay. Accounts receivable are written-off and charged against an allowance for credit losses when the Company has exhausted collection efforts without success.

#### ***Risk and uncertainties***

The decline in the global economic environment due to, among other things, higher interest rates, worldwide inflationary pressures and recent fluctuations in energy prices has affected the business activities of the Company, its customers, suppliers, and other business partners in the fiscal year ended March 31, 2023 and into the nine months ended December 31, 2023.

Our software development and certain regional sales activities for our APU product offerings occur in Israel. Our Vice President, Associative Computing, along with a team of software development experts are based in our Israel facility. This team is needed for the development of the various levels of software required in the use of our APU product offering. Proof of concept customers for our SAR image processing acceleration system are also based in Israel. We are closely monitoring developments in the evolving military conflict with Hamas that began on October 7, 2023 including potential impacts to our business, customers, employees and operations in Israel. At this time, the impact on GSI Technology is uncertain and subject to change given the volatile nature of the situation, but adverse changes in the military conditions in Israel could harm our business and our stock price could decline.

The Company believes that during the next 12 months disruptions in the capital markets as a result of higher interest rates, worldwide inflationary pressures, recent fluctuations in energy prices and the decline in the global economic environment could impact general economic activity and demand in the Company's end markets. Additionally, fluctuations in customer demand due to previous buffer stock purchases during the semiconductor supply shortage may negatively impact near-term revenues.

#### ***Accounting pronouncements effective for fiscal 2024***

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 is 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 are 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. Application of the amendments is through a cumulative-effect adjustment to retained earnings as of the effective date. Adoption of this standard on April 1, 2023 did not have a material impact on the Company's consolidated financial statements and related disclosures.

#### **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 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 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. The Company recognizes revenue upon shipment of the product.

Because all of the Company’s performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption practical expedient 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 certain 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 product sales is immaterial.

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 and for the periods ended December 31, 2023 and March 31, 2023.

Substantially all of the Company’s revenue is derived from sales of SRAM products, which represent approximately 98% and 97% of total revenues in the nine months ended December 31, 2023 and 2022, 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 15% and 20% of the Company’s net revenues in the three months ended December 31, 2023 and 2022, respectively, and 23% and 16% of the Company’s net revenues in the nine months ended December 31, 2023 and 2022, respectively.

See “Note 12 — Segment and Geographic Information” for revenue by shipment destination.

The following table presents the Company’s revenue disaggregated by customer type.

	<u>Three Months Ended December 31,</u>		<u>Nine Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(In thousands)		(In thousands)	
Contract manufacturers	\$ 607	\$ 1,391	\$ 3,881	\$ 4,597
Distribution	4,133	4,992	12,104	19,110
OEMs	578	64	628	602
	<u>\$ 5,318</u>	<u>\$ 6,447</u>	<u>\$ 16,613</u>	<u>\$ 24,309</u>

**NOTE 3—NET LOSS PER COMMON SHARE**

The Company uses the treasury stock method to calculate the weighted average shares used in computing diluted net loss per share. The following table sets forth the computation of basic and diluted net loss per share:

	<u>Three Months Ended December 31,</u>		<u>Nine Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>(In thousands, except per share amounts)</u>		<u>(In thousands, except per share amounts)</u>	
Net loss	\$ (6,601)	\$ (4,812)	\$ (15,766)	\$ (12,016)
<b>Denominators:</b>				
Weighted average shares—Basic	25,256	24,621	25,094	24,566
Dilutive effect of employee stock options	—	—	—	—
Dilutive effect of employee stock purchase plan options	—	—	—	—
Weighted average shares—Dilutive	<u>25,256</u>	<u>24,621</u>	<u>25,094</u>	<u>24,566</u>
Net loss per common share—Basic	\$ (0.26)	\$ (0.20)	\$ (0.63)	\$ (0.49)
Net loss per common share—Diluted	<u>\$ (0.26)</u>	<u>\$ (0.20)</u>	<u>\$ (0.63)</u>	<u>\$ (0.49)</u>

The following shares of common stock underlying outstanding stock options and unissued ESPP shares, determined on a weighted average basis, were excluded from the computation of diluted net loss per share as they had an anti-dilutive effect:

	<u>Three Months Ended December 31,</u>		<u>Nine Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>(In thousands)</u>		<u>(In thousands)</u>	
Shares underlying options and ESPP shares	<u>8,231</u>	<u>8,797</u>	<u>7,856</u>	<u>8,492</u>

**NOTE 4—BALANCE SHEET DETAIL**

	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>(In thousands)</u>	
<b>Inventories:</b>		
Work-in-progress	\$ 3,178	\$ 3,629
Finished goods	2,313	2,767
Inventory at distributors	13	19
	<u>\$ 5,504</u>	<u>\$ 6,415</u>

	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>(In thousands)</u>	
<b>Accounts receivable, net:</b>		
Accounts receivable	\$ 2,417	\$ 3,531
Less: Allowances for credit losses	(40)	(60)
	<u>\$ 2,377</u>	<u>\$ 3,471</u>

	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>(In thousands)</u>	
Prepaid expenses and other current assets:		
Prepaid tooling and masks	\$ 575	\$ 333
Other receivables	113	156
Other prepaid expenses and other current assets	1,391	925
	<u>\$ 2,079</u>	<u>\$ 1,414</u>

	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>(In thousands)</u>	
Property and equipment, net:		
Computer and other equipment	\$ 18,548	\$ 19,188
Software	4,428	4,428
Land	3,900	3,900
Building and building improvements	3,741	3,741
Furniture and fixtures	102	102
Leasehold improvements	923	910
	<u>31,642</u>	<u>32,269</u>
Less: Accumulated depreciation	<u>(24,726)</u>	<u>(24,846)</u>
	<u>\$ 6,916</u>	<u>\$ 7,423</u>

Depreciation expense was \$155,000 and \$195,000 for the three months ended December 31, 2023 and 2022, respectively, and \$543,000 and \$588,000 for the nine months ended December 31, 2023 and 2022, respectively.

The following tables summarize the components of intangible assets and related accumulated amortization balances at December 31, 2023 and March 31, 2023 (in thousands):

	<u>As of December 31, 2023</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Intangible assets:			
Product designs	\$ 590	\$ (590)	\$ —
Patents	4,220	(2,606)	1,614
Software	80	(80)	—
Total	<u>\$ 4,890</u>	<u>\$ (3,276)</u>	<u>\$ 1,614</u>

	<u>As of March 31, 2023</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Intangible assets:			
Product designs	\$ 590	\$ (590)	\$ —
Patents	4,220	(2,430)	1,790
Software	80	(80)	—
Total	<u>\$ 4,890</u>	<u>\$ (3,100)</u>	<u>\$ 1,790</u>

Amortization of intangible assets included in cost of revenues was \$58,000 for each of the three months ended December 31, 2023 and 2022, respectively, and \$175,000 for each of the nine months ended December 31, 2023 and 2022.

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. The Company identified a potential impairment indicator for the finite lived intangible assets and performed a recoverability test by comparing the sum of the estimated undiscounted future cash flows of the asset group to the carrying amount as of December 31, 2023. The result of the recoverability test indicated that the sum of the expected future cash flows was greater than the carrying amount of the finite lived intangible assets. Based on the uncertainty of forecasts inherent with a new product, events such as the failure to generate forecasted revenue from the APU product could result in a non-cash impairment charge in future periods.

As of December 31, 2023, the estimated future amortization expense of intangible assets in the table above is as follows (in thousands):

<b>Fiscal year ending March 31,</b>	
2024 (remaining three months)	\$ 58
2025	233
2026	233
2027	233
2028	233
Thereafter	624
Total	<u>\$ 1,614</u>

	<b>December 31, 2023</b>	<b>March 31, 2023</b>
	<b>(In thousands)</b>	
<b>Accrued expenses and other liabilities:</b>		
Accrued compensation	\$ 3,283	\$ 3,441
Accrued commissions	174	214
Income taxes payable	163	345
Outsourced design resources	—	552
Research and development mask set	2,446	—
Miscellaneous accrued expenses	729	616
	<u>\$ 6,795</u>	<u>\$ 5,168</u>

On November 30, 2022, the Company announced cost reduction initiatives which included an approximate 15% reduction in the Company's global workforce. The Company incurred \$0.3 million in severance related charges during the three and nine months ended December 31, 2022 including \$0.1 million recorded as cost of revenues and \$0.2 million recorded as selling, general and administrative expenses. There were no severance related charges in the three and nine months ended December 31, 2023.

#### **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 assesses goodwill for impairment on an annual basis on the last day of February in the fourth quarter of its fiscal year. The Company has one reporting unit.

The Company had a goodwill balance of \$8.0 million as of both December 31, 2023 and March 31, 2023. The goodwill resulted from the acquisition of MikaMonu Group Ltd. in fiscal 2016.

The Company completed its annual impairment test during the fourth quarter of fiscal 2023 and concluded that there was no impairment, as the fair value of its sole reporting unit exceeded its carrying value.

#### **NOTE 6—INCOME TAXES**

The current portion and long-term portion of the Company's income tax liability related to unrecognized tax benefits was \$0 at both December 31, 2023 and March 31, 2023. Due to historical losses in the United States, the

Company has a full valuation allowance on its United States federal and state deferred tax assets. Management continues to evaluate the realizability of deferred tax assets and the related valuation allowance.

Management believes that within the next twelve months the Company will not have a significant reduction in uncertain tax benefits, including interest and penalties, related to positions taken with respect to credits and loss carryforwards on previously filed tax returns.

The Company's policy is to include interest and penalties related to unrecognized tax benefits within the provision for income taxes in the Condensed Consolidated Statements of Operations.

The Company is subject to taxation in the United States and various state and foreign jurisdictions. Fiscal years 2013 through 2022 remain open to examination by federal tax authorities, and fiscal years 2012 through 2022 remain open to examination by California tax authorities. Fiscal years 2020 through 2023 are subject to audit by the Israeli tax authorities.

For the nine months ended December 31, 2023 and December 31, 2022, the Company incurred income tax expense of \$155,000 and \$181,000 on net losses before income taxes of (\$15.6 million) and (\$11.8 million), respectively. The provision was calculated using the annualized effective tax rate method. The Company's estimated annual effective income tax rate, including discrete items, was approximately (1.44%) and (2.16%) as of December 31, 2023 and 2022, respectively. The annual effective tax rates as of December 31, 2023 and 2022 vary from the United States statutory income tax rate primarily due to valuation allowances in the United States, whereby pre-tax losses do not result in the recognition of corresponding income tax benefits or foreign tax differential.

#### **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 December 31, 2023, the Level 1 category included money market funds of \$9.6 million, which were included in cash and cash equivalents on the Condensed 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 December 31, 2023, there were no Level 2 category short-term investments.

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 December 31, 2023, the Company's Level 3 financial instruments measured at fair value on the Condensed Consolidated Balance Sheets consisted of the contingent consideration liability related to the acquisition of MikaMonu. The fair value of the contingent consideration liability 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 achievement of the forecast 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) to the estimated amount and timing of future cash flows or the probability of achievement of the forecast would result in a significantly higher (lower) fair value measurement. Conversely, a significant increase or (decrease) in the risk-adjusted discount rate would result in a significantly

(lower) higher fair value measurement. Generally, changes used in the assumptions for future cash flows and probability of achievement of the forecast 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 Condensed Consolidated Statements of Operations. During the most recent re-measurement of the contingent consideration liability as of December 31, 2023, the Company used a risk-adjusted discount rate of approximately 15.6% to adjust the probability-weighted cash flows to their present value using probabilities ranging from 25% to 70% for the remaining contingent events. The contingent consideration liability is included in contingent consideration, non-current on the Condensed Consolidated Balance Sheets at December 31, 2023 and March 31, 2023 in the amount of \$495,000 and \$1.1 million, respectively.

The fair value of financial assets measured on a recurring basis is as follows (in thousands):

	December 31, 2023	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)
<b>Assets:</b>				
Money market funds	\$ 9,560	\$ 9,560	\$ —	\$ —
Marketable securities	—	—	—	—
<b>Total</b>	<b>\$ 9,560</b>	<b>\$ 9,560</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Liabilities:</b>				
Contingent consideration	\$ 495	\$ —	\$ —	\$ 495

	March 31, 2023	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)
<b>Assets:</b>				
Money market funds	\$ 7,796	\$ 7,796	\$ —	\$ —
Marketable securities	3,363	—	3,363	—
<b>Total</b>	<b>\$ 11,159</b>	<b>\$ 7,796</b>	<b>\$ 3,363</b>	<b>\$ —</b>
<b>Liabilities:</b>				
Contingent consideration	\$ 1,052	\$ —	\$ —	\$ 1,052

The following table sets forth the changes in fair value of contingent consideration for the nine months ended December 31, 2023 and 2022, respectively:

	Nine Months Ended December 31,	
	2023	2022
	(In thousands)	
Contingent consideration, beginning of period	\$ 1,052	\$ 2,738
Change due to accretion	95	169
Re-measurement of contingent consideration	(652)	(1,014)
Contingent consideration, end of period	<u>\$ 495</u>	<u>\$ 1,893</u>

**Short-term investments**

All of the Company's short-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 loss in the Condensed Consolidated Balance Sheets. The Company had money market funds of \$9.6 million and \$7.8 million at December 31, 2023 and March 31, 2023, respectively, included in cash and cash equivalents on the Condensed Consolidated Balance Sheets. The Company monitors its investments for impairment periodically and records appropriate reductions in carrying values when declines are determined to be other-than-temporary.

The following table summarizes the Company's available-for-sale investments. There were no available-for-sale investments at December 31, 2023.

	March 31, 2023			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
(In thousands)				
Short-term investments:				
Certificates of deposit	\$ 1,750	\$ —	\$ (13)	\$ 1,737
Supranational obligations	654	—	(17)	637
Agency bonds	999	—	(10)	989
Total short-term investments	<u>\$ 3,403</u>	<u>\$ —</u>	<u>\$ (40)</u>	<u>\$ 3,363</u>

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that do not have an allowance for credit losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position as of March 31, 2023.

	March 31, 2023					
	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	\$ —	\$ —	\$ 1,737	\$ (13)	\$ 1,737	\$ (13)
Agency bonds	—	—	990	(10)	990	(10)
Supranational obligations	—	—	636	(17)	636	(17)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,363</u>	<u>\$ (40)</u>	<u>\$ 3,363</u>	<u>\$ (40)</u>

The deferred tax asset related to unrecognized gains and losses on short-term investments was \$10,000 at March 31, 2023.

**NOTE 8—LEASES**

The Company has operating leases for corporate offices and research and development facilities. The Company's leases have remaining lease terms of 2 months to 40 months, some of which include options to extend for up to 5 years.

On June 29, 2023, the Company entered into a lease agreement in Taiwan, wherein the lease for the Company's existing office and warehouse space was extended through August 31, 2026. The lease has been extended for a three-year period under substantially the same terms and conditions of the original lease agreement. The Company identified this extension as a lease modification and reassessed the discount rate at the remeasurement date, at 3.9% based on local rates in Taiwan, and the Company has remeasured its ROU asset and lease liability on the condensed consolidated balance sheet using the discount rate that applies as of the date of the modification.



Supplemental balance sheet information related to leases was as follows:

	As of December 31, 2023	As of March 31, 2023
	(In thousands)	
<b>Operating Leases</b>		
Operating lease right-of-use assets	\$ 887	\$ 684
Lease liabilities-current	\$ 346	\$ 413
Lease liabilities-non-current	542	238
Total operating lease liabilities	\$ 888	\$ 651

The following table provides the details of lease costs:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
	(In thousands)		(In thousands)	
Operating lease cost	\$ 142	\$ 146	\$ 426	\$ 446
Short-term lease cost	8	8	24	23
	\$ 150	\$ 154	\$ 450	\$ 469

The following table provides other information related to leases:

	Nine Months Ended December 31,	
	2023	2022
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 425	\$ 443
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 637	\$ 376
Weighted-average remaining lease term (years):		
Operating leases	2.74	2.46
Weighted-average discount rate:		
Operating leases	4.10%	4.36%

The following table provides the maturities of the Company's operating lease liabilities as of December 31, 2023:

Fiscal Year	<u>Operating Lease Liabilities</u> (In thousands)
2024 (remaining three months)	\$ 117
2025	314
2026	316
2027	185
2028	7
Total undiscounted future cash flows	<u>939</u>
Less: Imputed interest	<u>(51)</u>
Present value of undiscounted future cash flows	<u>\$ 888</u>
Presentation on statement of financial position	
Current	<u>\$ 346</u>
Non-current	<u>\$ 542</u>

#### NOTE 9—COMMITMENTS AND CONTINGENCIES

##### *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 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 that may be required 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.

#### NOTE 10—STOCK-BASED COMPENSATION

As of December 31, 2023, 2,905,696 shares of common stock were available for grant under the Company's Amended and Restated 2016 Equity Incentive Plan.

[Table of Contents](#)

The following table summarizes the Company's stock option activities for the nine months ended December 31, 2023:

	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, 2023	3,594,851	8,809,160		\$ 5.62	
Granted	(903,092)	903,092		\$ 3.78	
Exercised	—	(236,888)		\$ 5.12	\$ 314,507
Forfeited	213,937	(739,750)		\$ 6.05	
Balance at December 31, 2023	<u>2,905,696</u>	<u>8,735,614</u>	5.67	\$ 5.41	
Options vested and exercisable		<u>5,893,323</u>	4.38	\$ 5.82	<u>\$ 280,080</u>
Options vested and expected to vest		<u>8,644,661</u>	5.65	\$ 5.42	<u>\$ 576,121</u>

The following table summarizes stock-based compensation expense by line item in the Condensed Consolidated Statements of Operations, all relating to employee stock plans:

	Three Months Ended December 31, 2023		Nine Months Ended December 31, 2022	
	(In thousands)	(In thousands)	(In thousands)	(In thousands)
Cost of revenues	\$ 51	\$ 54	\$ 175	\$ 163
Research and development	325	328	1,080	1,069
Selling, general and administrative	273	273	890	722
Total	<u>\$ 649</u>	<u>\$ 655</u>	<u>\$ 2,145</u>	<u>\$ 1,954</u>

**NOTE 11—RELATED PARTY TRANSACTION**

The Company incurred engineering service expense and production charges of approximately \$500,000 and \$4,000 during the three months ended December 31, 2023 and 2022, respectively, and \$500,000 and \$201,000 during the nine months ended December 31, 2023 and 2022, respectively, from Wistron Neweb Corp ("WNC") in connection with the manufacturing of single-APU PCIe 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 \$394,000 and \$8,000 at December 31, 2023 and March 31, 2023, respectively, is included in accounts payable in the Condensed Consolidated Balance Sheets.

**NOTE 12—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:

	Three Months Ended December 31, 2023		Nine Months Ended December 31, 2022	
	(In thousands)	(In thousands)	(In thousands)	(In thousands)
United States	\$ 3,103	\$ 3,048	\$ 9,138	\$ 11,649
China	62	201	543	1,399
Singapore	690	829	1,642	4,339
Netherlands	555	1,041	2,510	2,498
Germany	705	1,167	2,255	3,618
Rest of the world	203	161	525	806
	<u>\$ 5,318</u>	<u>\$ 6,447</u>	<u>\$ 16,613</u>	<u>\$ 24,309</u>

All sales are denominated in United States dollars.

#### **NOTE 13—GOVERNMENT AGREEMENTS**

In June 2023, the Company entered into a prototype agreement with the Space Development Agency for the development of a Next-Generation Associative Processing Unit-2 for Enhanced Space-Based Capabilities (“Prototype Agreement”). Under the Prototype Agreement, the Company will receive an award funded by the Small Business Innovation Research program. Pursuant to an agreed-upon schedule, the Company will receive milestone payments totaling an estimated \$1.25 million upon successful completion of each milestone. The Prototype Agreement is unrelated to the Company’s ordinary business activities. The Company has discretion in managing the activities under the Prototype Agreement and retains all developed intellectual property. The Company applies IAS 20, by analogy, and recognizes the award as a reduction of research and development expenses based on a cost incurred method.

During the three and nine months ended December 31, 2023, the Company recognized \$175,000 and \$435,000, respectively, as a reduction to research and development expense in the Condensed Consolidated Statements of Operations. As of December 31, 2023, the Company had received total milestone payments of \$435,000 under the Prototype Agreement.

#### **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*This Quarterly Report on Form 10-Q, and in particular the following Management’s Discussion and Analysis of Financial Condition and Results of Operations, 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 “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.*

#### **Overview**

We are a leading provider of semiconductor memory solutions and developer for in-place associative computing applications in high growth markets such as artificial intelligence (“AI”) and high-performance computing (“HPC”), including natural language processing and computer vision. Our initial associative processing unit (“APU”) products are focused on applications using similarity search. Similarity search is used in visual search queries for e-commerce, computer vision, drug discovery, cyber security and service markets such as NoSQL, Elasticsearch, and OpenSearch. We also design, develop and market static random access memories, or SRAMs (our current principal revenue source), that operate at speeds of less than 10 nanoseconds, which we refer to as Very Fast SRAMs, primarily for the networking and telecommunications and the military/defense and aerospace 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 anticipation of the decline of the networking and telecommunications market, we have been using the revenue generated by the sales of high-speed synchronous SRAM products to finance the development of our new in-place associative computing solutions and the marketing and sale of new types of SRAM products such as radiation-hardened and radiation-

tolerant SRAMs. However, with no debt and sufficient liquidity, we believe we are in a better financial position than many other companies of our size.

Our revenues in recent years were impacted by changes in customer buying patterns and communication limitations related to COVID-19 restrictions that required a significant number of our customer contacts to work from home. While the COVID-19 pandemic has ended, the recent fluctuations in energy prices, worldwide inflationary pressures, higher interest rates and decline in the global economic environment have had, and may continue to have, an adverse impact on our business and financial condition. Furthermore, the easing of supply chain shortages and prior buffer stock purchases from significant customers led to a decrease in revenues in the second half of fiscal 2023 and during the nine months ended December 31, 2023.

In June 2023, we announced the receipt of an award of a prototype agreement with the Space Development Agency (“SDA”) for the development of a Next-Generation Associative Processing Unit-2 (“APU2”) for Enhanced Space-Based Capabilities. Our next-generation non-Von-Neumann Associative Processing Unit compute in-memory integrated circuit (“IC”) offers unique capabilities to address the challenges faced by the U.S. Space Force (“USSF”) in processing extensive sets of big data in space. Our overarching objective is to enable and enhance current and future mission capabilities through the deployment of compute in-memory integrated systems that can efficiently handle vast amounts of data in real-time at the edge. The APU, featuring a scalable format, compact footprint, and low power consumption, presents an ideal solution for edge applications where prompt and precise responses are crucial. These capabilities empower the USSF to swiftly detect, warn, analyze, attribute, and forecast potential and actual threats in space, ultimately bolstering the ability of the United States to maintain and leverage space superiority. The U.S. Space Force is actively seeking solutions to address current limitations in processing big data that is needed to execute the mission objectives of the Space Development Agency within the evolving and challenging space environment. This award is being funded by the Small Business Innovation Research program, a competitive program funded by various U.S. government agencies, that encourages small businesses to engage in federal research and development with the potential for commercialization. Under the terms of this Direct to Phase II award, we will develop an advanced non-Von-Neumann Associative Processing Unit-2, compute in-memory IC, and design and fabricate an APU2 Evaluation Board. Pursuant to an agreed-upon schedule, we will receive milestone payments totaling an estimated \$1.25 million upon the successful completion of predetermined milestones, of which \$297,000 was received in the quarter ended September 30, 2023 and \$138,000 was received in the quarter ended December 31, 2023.

In January 2024, we announced that GSI has been selected by AFWERX for an SBIR Direct-to-Phase II contract in the amount of \$1.1 million to demonstrate high-data computation use cases leveraging the distinct compute in-memory architecture of our APU-2. We will create specialized algorithms for the U.S. Air Force Research Laboratory (“AFRL”) to leverage the compute-in-memory architecture of the Gemini® APU. This chip is designed for various AI applications to tackle key challenges in the Department of the Air Force (“DAF”), including in-aircraft search and rescue, object detection, moving target indication, change detection, and SSIM in GPS-absent situations. We will also develop algorithms using data from the USSF to showcase the performance benefits of our compute-in-memory APU-2 integrated circuit. There has been no activity under this award as of December 31, 2023.

As of December 31, 2023, we had cash and cash equivalents of \$21.6 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. Generally, our primary source of liquidity is cash equivalents. Our level of cash equivalents has historically been sufficient to meet our current and longer term operating and capital needs. We believe that during the next 12 months, continued inflationary pressures and higher interest rates, will continue to negatively impact general economic activity and demand in our end markets. Although it is difficult to estimate the length or gravity of the continued inflationary pressures and higher interest rates, the evolving conflict in the Middle East, the recent fluctuations in energy prices and the decline in the global economic environment, are expected to have an adverse effect on our results of operations, financial position, including potential impairments, and liquidity in fiscal 2024.

*Revenues.* Substantially all of our revenues are derived primarily from sales of our Very Fast SRAM products. Sales to networking and telecommunications OEMs accounted for 32% to 53% 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 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.

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 changes in working habits that have resulted in a significant number of our customer contacts working from home. 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 occurs at the time of shipment, title and the risks and rewards of ownership have passed to the customer, and we have a right to payment. Thus, we will recognize revenue upon shipment of the product for direct sales and sales to our distributors.

Nokia was our largest customer in fiscal 2023, 2022 and 2021. 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 23%, 17%, 29% and 39% of our net revenues in the nine months ended December 31, 2023 and in fiscal 2023, 2022 and 2021, 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 the nine months ended December 31, 2023 and in fiscal 2023, 2022 or 2021.

*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 and other outsourced manufacturing costs are subject to the cyclical fluctuations in demand for semiconductors. We have experienced increased costs as a result of inflation, supply chain constraints for wafers and outsourced assembly, burn-in and test operations. We review our manufacturing costs on a regular basis and pass on any cost increases to our customers when it makes sense to do so. 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 radiation-hardened and radiation-tolerant SRAMs, 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 incurred charges of \$2.4 million for a pre-production mask set for our APU-2 during the quarter ended December 31, 2023. 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.

*Goodwill.* We had a goodwill balance of \$8.0 million as of both December 31, 2023 and March 31, 2023. The goodwill resulted from the acquisition of MikaMonu Group Ltd. in fiscal 2016. We completed our annual goodwill impairment test during the fourth quarter of fiscal 2023 and concluded that there was no impairment, as the fair value of our sole reporting unit exceeded its carrying value.

*Intangible Assets.* 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. We identified a potential impairment indicator for the finite lived intangible assets and performed a recoverability test by comparing the sum of the estimated undiscounted future cash flows of the asset group to the carrying amount as of December 31, 2023 and March 31, 2023. The result of the recoverability tests indicated that the sum of the expected future cash flows was greater than the carrying amount of the finite lived



intangible assets. Based on the uncertainty of forecasts inherent with a new product, events such as the failure to generate forecasted revenue from the APU product could result in a non-cash impairment charge in future periods.

### Results of Operations

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	44.1	42.5	44.8	39.6
Gross profit	55.9	57.5	55.2	60.4
Operating expenses:				
Research and development	131.1	85.8	101.6	76.3
Selling, general and administrative	50.5	46.0	49.4	33.2
Total operating expenses	181.6	131.8	151.0	109.5
Loss from operations	(125.7)	(74.3)	(95.8)	(49.1)
Interest and other income, net	2.9	0.9	1.8	0.4
Loss before income taxes	(122.8)	(73.4)	(94.0)	(48.7)
Provision for income taxes	1.3	1.3	0.9	0.7
Net loss	(124.1)	(74.7)	(94.9)	(49.4)

*Net Revenues.* Net revenues decreased by 17.5% from \$6.4 million in the three months ended December 31, 2022 to \$5.3 million in the three months ended December 31, 2023 and by 31.8% from \$24.3 million in the nine months ended December 31, 2022 to \$16.6 million in the nine months ended December 31, 2023. The decrease in net revenues in each period is related to the current economic environment which has led to cautionary spending by our customers and purchases made as a result of supply chain constraints in the previous periods. The overall average selling price of all units shipped in the quarter ended December 31, 2023 increased by 40.5% compared to the quarter ended December 31, 2022 and the number of units shipped decreased 41.2% in the quarter ended December 31, 2023 compared to the quarter ended December 31, 2022. The overall average selling price of all units shipped in the nine months ended December 31, 2023 increased by 34.0% compared to the nine months ended December 31, 2022 and the number of units shipped decreased 48.8% in the nine months ended December 31, 2023 compared to the nine months ended December 31, 2022. The changes in the average selling price were due to changes in product mix, as certain low density products with lower average selling prices had the largest declines in volume shipped. Direct and indirect sales to Nokia, currently our largest customer, decreased from \$1.3 million in the three months ended December 31, 2022 to \$807,000 in the three months ended December 31, 2023 and were unchanged at \$3.8 million in the nine months ended December 31, 2022 and in the nine months ended December 31, 2023. Shipments to Nokia will continue to fluctuate on a quarterly basis as a result of demand and shipments to its end customers. While recent customer order patterns have been particularly variable, these fluctuations are related to economic and external factors, which include the rapid rise in energy prices, worldwide inflationary pressures, higher interest rates and the decline in the global economic environment.

*Cost of Revenues.* Cost of revenues decreased by 14.5% from \$2.7 million in the three months ended December 31, 2022 to \$2.3 million in the three months ended December 31, 2023 and decreased by 22.7% from \$9.6 million in the nine months ended December 31, 2022 to \$7.4 million in the nine months ended December 31, 2023. The reduction in cost of revenues is related to the decrease in revenues in each period. Cost of revenues included a provision for excess and obsolete inventories of \$166,000 in the nine months ended December 31, 2022 compared to \$117,000 in the nine months ended December 31, 2023. Cost of revenues included stock-based compensation expense of \$54,000 and \$51,000 for the three months ended December 31, 2022 and 2023, respectively, and \$163,000 and \$175,000 for the nine months ended December 31, 2022 and 2023, respectively.

*Gross Profit.* Gross profit decreased by 19.7% from \$3.7 million in the three months ended December 31, 2022 to \$3.0 million in the three months ended December 31, 2023 and by 37.5% from \$14.7 million in the nine months ended December 31, 2022 to \$9.2 million in the nine months ended December 31, 2023. Gross margin decreased from 57.5% in the three months ended December 31, 2022 to 55.9% in the three months ended December



31, 2023. Gross margin decreased from 60.4% in the nine months ended December 31, 2022 to 55.2% in the nine months ended December 31, 2023. The changes in gross profit are primarily related to the decreases in net revenues discussed above. The changes in gross margin are primarily related to changes in the mix of products and customers. Gross margin in the nine months ended December 31, 2023 reflects the impact of fixed overhead on lower shipment levels compared to the same period in the prior year.

*Research and Development Expenses.* Research and development expenses increased by 26.2% from \$5.5 million in the three months ended December 31, 2022 to \$7.0 million in the three months ended December 31, 2023. The increase in research and development spending was primarily related to an increase in pre-production mask costs of \$2.4 million related to our APU-2 product, partially offset by decreases of \$612,000 of payroll related expenses and \$156,000 in outside consulting expenses for the development of our APU-2 product. The decreases in these expenses were related to the cost reduction measures implemented November 2022. Research and development expenses in the three months ended December 31, 2023 were also offset by \$180,000 of funding received under the Direct to Phase II award for the development of a Next-Generation Associative Processing Unit-2 for Enhanced Space-Based Capabilities discussed above. Research and development expenses included stock-based compensation expense of \$328,000 and \$325,000 for the three months ended December 31, 2022 and 2023, respectively. Research and development expenses decreased by 9.0% from \$18.5 million in the nine months ended December 31, 2022 to \$16.9 million in the nine months ended December 31, 2023. The decrease in research and development spending was primarily related to decreases of \$2.0 million in payroll related expenses and \$1.3 million in outside consulting expenses for the development of our APU-2 product. The decreases in these expenses were related to the cost reduction measures implemented November 2022. Research and development expenses in the nine months ended December 31, 2023 were also offset by \$435,000 of funding received under the Direct to Phase II award for the development of a Next-Generation Associative Processing Unit-2 for Enhanced Space-Based Capabilities discussed above. Research and development expenses included stock-based compensation expense of \$1.1 million in each of the nine months ended December 31, 2022 and 2023, respectively.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased by 9.5% from \$3.0 million in the three months ended December 31, 2022 to \$2.7 million in the three months ended December 31, 2023. Selling, general and administrative expenses included a decrease of \$233,000 in the value of contingent consideration in the three months ended December 31, 2023 compared to a decrease of \$16,000 in the quarter ended December 31, 2022. A decrease of \$236,000 in payroll related expenses was partially offset by increases of \$121,000 in outside consultants and lesser increases in professional fees and independent sales representative commissions. Selling, general and administrative expenses included stock-based compensation expense of \$273,000 and \$273,000 for the three months ended December 31, 2022 and 2023, respectively. Selling, general and administrative expenses increased by 1.8% from \$8.1 million in the nine months ended December 31, 2022 to \$8.2 million in the nine months ended December 31, 2023. Selling, general and administrative expenses included a decrease of \$557,000 in the value of contingent consideration in the nine months ended December 31, 2023 compared to a decrease of \$845,000 in the nine months ended December 31, 2022. Decreases of \$546,000 in payroll related expenses and \$144,000 in outside sales representative commissions were partially offset by increases of \$221,000 in outside consultants and \$175,000 in professional fees. Selling, general and administrative expenses included stock-based compensation expense of \$722,000 and \$890,000 for the nine months ended December 31, 2022 and 2023, respectively.

*Interest Income and Other Expense, Net.* Interest and other income, net increased by \$94,000 from \$61,000 in the three months ended December 31, 2022 to \$155,000 in the three months ended December 31, 2023. Interest income increased by \$32,000 primarily due to higher interest rates received on our cash and short-term investments. Foreign exchange losses were \$57,000 for the three months ended December 31, 2022 compared to a gain of \$5,000 for the three months ended December 31, 2023. Interest and other income, net increased by \$205,000 from \$101,000 in the nine months ended December 31, 2022 to \$306,000 in the nine months ended December 31, 2023. Interest income increased by \$229,000 primarily due to higher interest rates received on our cash and short-term investments. Foreign exchange losses were \$109,000 for the nine months ended December 31, 2022 compared to \$118,000 for the nine months ended December 31, 2023. The exchange losses in each period were related to our Taiwan branch operations and our operations in Israel.

*Provision for Income Taxes.* The provision for income taxes decreased from \$84,000 in the three months ended December 31, 2022 to \$71,000 in the three months ended December 31, 2023 and decreased from \$181,000 in the nine months ended December 31, 2022 to \$155,000 in the nine months ended December 31, 2023.

*Net Loss.* Net loss was \$4.8 million in the three months ended December 31, 2022 compared \$6.6 million in the three months ended December 31, 2023 and was \$12.0 million in the nine months ended December 31, 2022 compared to \$15.8 million in the nine months ended December 31, 2023. These fluctuations were primarily due to the changes in net revenues, gross profit and operating expenses discussed above.

### **Liquidity and Capital Resources**

As of December 31, 2023, our principal sources of liquidity were cash and cash equivalents of \$21.6 million compared to cash, cash equivalents and short-term investments of \$30.6 million as of March 31, 2023.

Net cash used in operating activities was \$10.2 million for the nine months ended December 31, 2023 compared to \$12.2 million for the nine months ended December 31, 2022. The primary uses of cash in the nine months ended December 31, 2023 were the net loss of \$15.8 million and an increase in prepaid expenses and other assets of \$663,000. The uses of cash in the nine months ended December 31, 2023 were less than the net loss due to non-cash items including stock-based compensation of \$2.1 million and depreciation and amortization expenses of \$718,000. The primary sources of cash in the nine months ended December 31, 2023 were decreases in accounts receivable of \$1.1 million and inventories of \$794,000 and an increase of \$1.2 million in accrued expenses and other liabilities. The increase in accrued expenses and other liabilities included an accrual of \$2.4 million for a pre-production mask set for our APU-2.

The primary uses of cash in the nine months ended December 31, 2022 were the net loss of \$12.0 million, a reduction in accrued expenses and other liabilities of \$2.2 million and an increase in inventories of \$1.7 million. The uses of cash in the nine months ended December 31, 2022 were less than the net loss due to non-cash items including stock-based compensation of \$2.0 million and depreciation and amortization expenses of \$763,000. The primary sources of cash in the nine months ended December 31, 2022 were a decrease in accounts receivable of \$891,000 and a lesser increase in accounts payable.

Net cash provided by investing activities was \$2.8 million in the nine months ended December 31, 2023 compared to \$6.7 million in the nine months ended December 31, 2022. Investment activities in the nine months ended December 31, 2023 primarily consisted of the maturity of certificates of deposit and agency bonds of \$3.4 million, partially offset by the purchase property and equipment of \$634,000. Investment activities in the nine months ended December 31, 2022 primarily consisted of the maturity of certificates of deposit and agency bonds of \$7.0 million partially offset by the purchase property and equipment of \$258,000.

Net cash provided by financing activities in the nine months ended December 31, 2023 consisted of the net proceeds from the sale of common stock pursuant to our employee stock plans of \$1.6 million and proceeds from the sale of common stock pursuant to an At-the-Market offering of \$153,000. Net cash provided by financing activities in the nine months ended December 31, 2022 consisted of the net proceeds from the sale of common stock pursuant to our employee stock plans of \$402,000.

We believe that our existing balances of cash and cash equivalents, 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. Our future capital requirements will depend on many factors, including revenue growth, if any, that we experience, any additional manufacturing cost increases resulting from supply constraints and the continuation of the impact of higher interest rates and inflation may have on our business, 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 team. Additional capital may also be required for the consummation of any acquisition of businesses, products or technologies that we may undertake. On June 28, 2023, we filed a registration statement on Form S-3, which was declared effective by the SEC on July 19, 2023. On August 1, 2023, we commenced a registered securities offering pursuant to a Sales Agreement (the "Sales Agreement") with Needham & Company, LLC ("Needham"). The Sales Agreement provides that we may offer and sell our common stock having an aggregate offering price of up to \$25.0 million from time to

time (the “Offering”) through Needham, acting as our sales agent. We sold 133,000 shares pursuant to the offering at an average price of \$4.20 for proceeds of \$542,000, less offering costs of \$389,000 during the quarter ended September 30, 2023. We cannot assure that additional equity or debt financing, if required, will be available on terms that are acceptable or at all.

As of December 31, 2023, we had \$4.2 million in purchase obligations for facility leases, wafer, masks, software and test purchase obligations that are binding commitments of which \$3.3 million are payable in the next twelve months and \$971,000 are committed in the long term.

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 revenue targets for products based on the MikaMonu technology. As of December 31, 2023, the accrual for potential contingent consideration was \$495,000 and is payable at various dates through December 31, 2025.

### **Critical Accounting Estimates**

Our critical accounting estimates are disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

### **Off-Balance Sheet Arrangements**

At December 31, 2023, 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 Pronouncement**

Please refer to Note 1 to our condensed consolidated financial statements appearing under Part I, Item 1 for a discussion of a recent accounting pronouncement, implemented in the quarter ended June 30, 2023, that had no material impact on the Company.

### **Item 3. *Quantitative and Qualitative Disclosure About Market Risk***

*Foreign Currency Exchange Risk.* Our revenues and expenses, except those expenses related to our operations in Taiwan and in Israel, including subcontractor manufacturing expenses, are denominated in U.S. dollars. As a result, we have relatively little exposure for currency exchange risks, and foreign exchange gains and 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 feel our foreign currency exposure has increased, we may consider entering into hedging transactions to help mitigate that risk.

*Interest Rate Sensitivity.* We had cash and cash equivalents totaling \$21.6 million at December 31, 2023. These amounts were invested primarily in money market funds. The cash and cash equivalents 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 or decrease 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 4. Controls and Procedures**

##### ***Management's Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures and internal controls that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on this evaluation and the identification of a material weakness in our internal control over financial reporting, our Chief Executive Officer and our Chief Financial Officer have concluded that, because a material weakness in our internal control over financial reporting existed as of March 31, 2023 and has not been remediated as of December 31, 2023, these disclosure controls and procedures were not effective as of December 31, 2023. The material weakness resulted in a significant adjustment to the fair value of the contingent consideration liability at March 31, 2023. Management corrected this misstatement prior to issuance of the financial statements for the fiscal year ended March 31, 2023. Additionally, management performed an analysis to ensure no other material errors resulted from this control failure.

During its review, management determined that the material weakness, which was identified in the course of preparing our financial statements for the fiscal year ended March 31, 2022, remained un-remediated at March 31, 2023. Specifically, management concluded that it did not design and maintain adequate controls over the review of forecasts and the probability of achievement of the forecast used to calculate the contingent consideration liability, used in the goodwill impairment test and used in the recoverability test over intangible assets as of March 31, 2023. This material weakness has not been remediated as of December 31, 2023.

##### ***Management's Plan to Remediate Material Weakness***

We are committed to maintaining a strong internal control environment. In response to the identified material weakness above, we, with the oversight of the Audit Committee of the Board of Directors, took comprehensive actions to remediate the material weakness in internal control over financial reporting. We implemented a detailed plan for the remediation of the identified material weakness, which included enhancing management's review controls over the forecasts used to calculate the contingent consideration liability used in the goodwill impairment test and used in the recoverability test for intangible assets. Although we have begun the remediation process, the material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Until this material weakness is remediated, we plan to continue to perform additional analyses and other procedures to ensure our consolidated financial statements are prepared in accordance with GAAP.

##### ***Changes in Internal Control over Financial Reporting***

Other than as described above, there were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### ***Inherent Limitations on Effectiveness of Controls***

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, even if determined effective and no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives to prevent or detect misstatements. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. 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.

**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 condensed consolidated financial statements and related notes. The risk factors described below do not contain any material changes from those previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023.*

**Risk Factor Summary**

Our business is subject to numerous risks and uncertainties, which are more fully described in the Risk Factors below. These risks include, but are not limited to:

***Risks Related to Our Business and Financial Condition***

- Unpredictable fluctuations in our operating results could cause our stock price to decline.
- 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, stops purchasing our products or fails to pay us, our financial position and operating results will suffer.
- Higher interest rates, worldwide inflationary pressures, the evolving conflict in the Middle East, the military conflict in Ukraine, recent fluctuations in energy prices and the decline in the global economic environment may continue to adversely affect our financial condition.
- We have incurred significant losses and may incur losses in the future.
- We have identified a material weakness in our internal control over financial reporting, and if our remediation of such material weakness is not effective, our ability to produce timely and accurate financial statements could be impaired.
- Goodwill impairment and related charges, as well as other accounting charges or adjustments could negatively impact our operating results.
- We depend upon the sale of our Very Fast SRAMs for most of our revenues and the market for Very Fast SRAMs is highly competitive.
- If we do not successfully develop and introduce the new in-place associative computing products, which entails certain significant risks, our business will be harmed.
- We are dependent on a number of single source suppliers.
- If we are unable to offset increased wafer fabrication and assembly costs, our gross margins will suffer.
- We are subject to the highly cyclical nature of the networking and telecommunications markets.
- We rely heavily on distributors and our business will be negatively impacted if we are unable to develop and manage distribution channels and accurately forecast future sales through our distributors.

- The average selling prices of our products are expected to decline.
- We are substantially dependent on the continued services of our senior management and other key personnel. If we are unable to recruit or retain qualified personnel, our business could be harmed.
- Cyber-attacks could disrupt our operations or the operations of our partners, and result in reduced revenue, increased costs, liability claims and harm our reputation or competitive position.
- Demand for our products may decrease if our OEM customers experience difficulty manufacturing, marketing or selling their products.
- Our products have lengthy sales cycles that make it difficult to plan our expenses and forecast results.
- Our business could be negatively affected as a result of actions of activist stockholders or others.
- Our acquisition of companies or technologies could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results.
- Our business will suffer if we are unable to protect our intellectual property or if there are claims that we infringe third party intellectual property rights.
- If our business grows, such growth may place a significant strain on our management and operations.

***Risks Related to Manufacturing and Product Development***

- We may experience difficulties in transitioning our manufacturing process technologies, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.
- Manufacturing process technologies are subject to rapid change and require significant expenditures.
- Our products may contain defects, which could reduce revenues or result in claims against us.

***Risks Related to Our International Business and Operations***

- The international political, social and economic environment, including the risks for escalating military conflicts, particularly relating to Israel and Taiwan, may affect our business performance.
- Certain of our independent suppliers and OEM customers have operations in the Pacific Rim, an area subject to significant risk of natural disasters and outbreak of contagious diseases.
- The United States could materially modify certain international trade agreements, or change tax provisions related to the global manufacturing and sales of our products.
- Some of our products are incorporated into advanced military electronics, and changes in international geopolitical circumstances and domestic budget considerations may hurt our business.

***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.
- 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.
- Our executive officers, directors and their affiliates hold a substantial percentage of our common stock.

- 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.
- 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.

#### **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 eleven fiscal quarters ended December 31, 2023, we recorded net revenues of as much as \$9.0 million and as little as \$5.3 million, and operating losses from \$2.9 million to \$6.7 million. 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. 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;
- commercial acceptance of our RadHard and RadTolerant 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;
- changes in our product pricing policies, including those made in response to new product announcements, pricing changes of our competitors and price increases by our foundry and suppliers;
- 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;
- restructuring, asset and goodwill impairment and related charges, as well as other accounting changes or adjustments;
- 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; 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. In fiscal years 2022 and 2023, we experienced price increases for raw materials, including a 20% increase in the price of wafers that was implemented in early calendar 2022 and a 6% increase that was implemented in early calendar 2023, as well as varying pricing increases for manufacturing services due to the supply chain constraints in the semiconductor market. We expect to experience additional price increases for raw materials in fiscal year 2024 due to worldwide inflationary pressures. We may 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.

Higher interest rates, worldwide inflationary pressures, the evolving conflict in Israel, the military conflict in Ukraine, recent fluctuations in energy prices and the decline in the global economic environment have 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 has also impacted the launch of our APU product to some degree and the adoption of RadHard and RadTolerant SRAM products by aerospace and military customers. 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 23%, 17%, 29% and 39% of our net revenues in the nine months ended December 31, 2023 and in fiscal 2023, 2022 and 2021, 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. If we fail to continue to sell to our key OEM customers, distributors or contract manufacturers in sufficient quantities, our business could be harmed.

***Higher interest rates, worldwide inflationary pressures, the evolving conflict in the Middle East, the military conflict in Ukraine, significant fluctuations in energy prices and the resulting decline in the global economic environment are expected to adversely affect our revenues, results of operations and financial condition.***

Our business is expected to be materially adversely affected by higher interest rates, worldwide inflationary pressures, the evolving conflict in the Middle East, the military conflict in Ukraine and the recent fluctuations in energy prices, all of which are contributing to a decline in the global economic environment.

Our quarterly revenues have been flat and trended downward in the past year due to the decline in the global economic environment that has resulted in less demand for GSI's products. We expect that a continued rise in interest rates, continued inflationary pressures, the evolving conflict in the Middle East, continued uncertainties in the business climate caused by the military conflict in Ukraine and related fluctuations in energy prices will adversely impact demand for new and existing products, and to impact the mindset of potential commercial partners to launch new products using GSI's technology. The resulting decline in the global economic environment is expected to have an adverse impact on our business and financial condition.

Disruptions in the capital and financial markets as a result of higher interest rates, worldwide inflationary pressures, the evolving conflict in the Middle East, the military conflict in Ukraine, recent fluctuations in energy prices and the decline in the global economic environment may also adversely affect our ability to obtain additional liquidity should the impacts of a decline in the global economic environment 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 \$16.0 million, \$16.4 million and \$21.5 million during fiscal 2023, 2022 and 2021, respectively and a net loss of \$15.7 million in the nine months ended December 31, 2023. 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 have identified a material weakness in our internal control over financial reporting, and if our remediation of such material weakness is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.***

In the course of preparing our financial statements for the fiscal year ended March 31, 2022, we identified a material weakness in our internal control over financial reporting which remained un-remediated at March 31, 2023. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified pertains to the design and maintenance of control over the review of the forecasts used to calculate the contingent consideration liability, used in the goodwill impairment test and used in the recoverability test for intangible assets. This material weakness has not been remediated as of December 31, 2023. Our management continues to take steps to remediate our material weakness, including re-evaluating the methodology and procedures involved in developing forecasts as well as the review and oversight of the forecasting process. We are in the process of implementing our detailed plan for the remediation of the material weakness, including enhancing management's review controls over the forecasts used to calculate the contingent consideration liability, used in the recoverability test for intangible assets and used in the goodwill impairment test. Although we have begun implementing the enhancements described above, the material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Until this material weakness is remediated, we plan to continue to perform additional analyses and other procedures to ensure that our consolidated financial statements are prepared in accordance with GAAP.

If we are unable to further implement and maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price. If we are unable to assert that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by Nasdaq, the SEC or other regulatory authorities, which could require additional financial and management resources.

Furthermore, we cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weakness in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could adversely affect the results of periodic management evaluations.

***If we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which would negatively impact our operating results.***

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, such as our acquisition of MikaMonu Group Ltd. in fiscal 2016. 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. If the carrying value of a material asset is determined to be impaired, it will be written down to fair value by a charge to operating earnings. As of March 31, 2023 and December 31, 2023, we had a goodwill balance of \$8.0 million and intangible assets of \$1.8 million and \$1.6 million at March 31, 2023 and December 31, 2023, respectively, from the MikaMonu acquisition. An adverse change in market conditions, including a sustained decline in our stock price, loss of significant customers, or a weakened demand for our products could be considered to be an impairment triggering event. If

such change has the effect of changing one of our critical assumptions or estimates, a change to the estimation of fair value could result in an impairment charge to our goodwill or intangible assets, which would negatively impact our operating results and harm our business. In the fiscal year ended March 31, 2023, we identified sustained declines in our stock price that resulted in our market capitalization being below the carrying value of our stockholders' equity. We concluded the sustained declines in our stock price were triggering events and proceeded with quantitative goodwill impairment assessments. The results of the quantitative goodwill impairment assessments that we performed indicated the fair value of our sole reporting unit exceeded its carrying value as of December 31, 2022, February 28, 2023 and March 31, 2023.

***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 will continue to be adversely impacted by the decline in the global economic environment, 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 2024 and will be subject to significant risks. In addition to the typical risks associated with the development of technologically advanced products, 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 and partner relationships. The establishment of new customer and partner 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 worldwide inflationary pressures, the cost of wafers and assembly services have increased by approximately 25% since the beginning of fiscal 2021. 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 natural disaster, military action 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 effectively manage 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 occurred in fiscal 2022, 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. Inflationary pressures may also cause our wafer fabrication 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;
- the price of our competitors' products relative to the price of our products;
- our ability to develop and market new products; and
- the supply and cost of wafers.

In fiscal 2022 and 2023 we experienced increases of 20% and 6%, respectively, in wafer fabrication costs due to supply chain constraints, which resulted in us increasing the cost of our products. Inflationary pressures are expected to result in additional increases in our wafer fabrication costs, which may require us to further increase the cost of our products. Our customers may decide to purchase products from our competitors rather than accept these price increases and our business may suffer. 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 the nine months ended December 31, 2023 and in fiscal 2023, 2022 and 2021, our largest distributor Avnet Logistics accounted for 48.3%, 48.1%, 38.0% and 29.8%, 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, resignation, retirement or death, of Lee-Lean Shu, our President and Chief Executive Officer, 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 and may increase in the future due to a number of our employees working from home and the potential for retaliatory cyber-attacks as a result of the military conflict in Ukraine. 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 attract and retain customers, fulfill orders and interrupt other processes and could adversely affect our business, financial results, stock price and reputation.

***We may be unable to accurately forecast 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 forecast 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 December 31, 2023, three customers accounted for 44%, 28% and 19% 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.

We are developing a subscription business model for certain of our new APU products, which will take time to implement and will be subject to execution risks. The sales cycle for subscription products is different from our hardware sales business and we will need to implement strategies to manage customer retention, which may be more volatile than the hardware sales to OEM customers. We anticipate that there will be quarterly fluctuations in the revenue and expenses associated with this new license-based business as we optimize the sales process for our target customers. Furthermore, because of the time it takes to build a meaningful subscription business, we expect to incur significant expenses relating to the subscription business before generating revenue from that new business.

***Our business could be negatively affected as a result of actions of activist stockholders or others.***

We may be subject to actions or proposals from stockholders or others that may not align with our business strategies or the interests of our other stockholders. Responding to such actions can be costly and time-consuming, disrupt our business and operations, and divert the attention of our board of directors, management, and employees from the pursuit of our business strategies. Such activities could interfere with our ability to execute our strategic plan. Activist stockholders or others may create perceived uncertainties as to the future direction of our business or strategy which may be exploited by our competitors and may make it more difficult to attract and retain qualified personnel and potential customers, and may affect our relationships with current customers, vendors, investors, and other third parties. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our board of directors. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

***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.

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

There has been significant litigation in the semiconductor industry involving patents and other intellectual property rights. We were previously 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 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.

***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 four 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.

#### **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 third quarter of fiscal 2024, we incurred approximately \$2.4 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 16 nanometer SRAM process technology for our APU-2 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**

***The software development for our associative computing products occurs in Israel, and therefore our business performance and operations may be adversely affected by military conflict in Israel.***

Our software development and certain regional sales activities for our APU product offerings occur in Israel. Our Vice President, Associative Computing, along with a team of software development experts are based in our Israel facility. This team is needed for the development of the various levels of software required in the use of our APU product offering. Proof of concept customers for our SAR image processing acceleration system are also based in Israel. We are closely monitoring developments in the evolving military conflict with Hamas that began on October 7, 2023 including potential impacts to our business, customers, employees and operations in Israel. At this time, the impact on GSI Technology are uncertain and subject to change given the volatile nature of the situation, but adverse changes in the military conditions in Israel could harm our business and our stock price could decline.

***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, political instability or restrictions on transportation logistics for our products resulting from changes in the relationship among the United States, Taiwan and the People's Republic of China could negatively impact our business. Any significant armed conflict related to this matter would be expected to materially and adversely 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 45.0%, 51.4%, 53.5% and 55.4% of our net revenues in the nine months ended December 31, 2023 and in fiscal 2023, 2022 and 2021, 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 where there is an evolving military conflict with Hamas. 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:

- potential political and economic instability in, or armed conflicts that involve or affect, the countries in which we, our customers and our suppliers are located;
- 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;

- 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;
- fluctuations in freight rates and transportation disruptions;
- 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;
- difficulties in collecting accounts receivable and longer accounts receivable payment cycles; and
- limited protection for intellectual property rights in some countries.

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 and Israeli Shekel. 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.***

The foundry that manufactures our Fast SRAM and APU products, 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 recent COVID-19 global pandemic, along with the previous outbreaks of SARS, H1N1 and the Avian Flu, 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.

We do not maintain sufficient business interruption and other insurance policies to compensate us for all losses that may occur. Any losses or damages incurred by us as a result of a catastrophic event or any other significant uninsured loss in excess of our insurance policy limits could have a material adverse effect on our business.

***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, RadHard and RadTolerant 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.

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

As of December 31, 2023, our executive officers, directors and entities affiliated with them beneficially owned approximately 32% 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 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.

***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.***

Since November 2008, we have 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 December 31, 2023, 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.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Stock Repurchase Program**

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 December 31, 2023, we did not repurchase any of our shares under the repurchase program.

**Item 5. Other information**

**Insider Trading Arrangements and Policies**

During the quarter ended December 31, 2023, no director or officer of the Company adopted or terminated a contract, instruction or written plan for the purchase or sale of securities of the Company intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) and/or a non-Rule 10b5-1 trading arrangement.

**Item 6. Exhibits**

Exhibit Number	Name of Document
31.1	<a href="#">Certification of Lee-Lean Shu, President, Chief Executive Officer and Chairman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Douglas M. Schirle, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Lee-Lean Shu, President, Chief Executive Officer and Chairman, and Douglas M. Schirle, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)





**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lee-Lean Shu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GSI Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 2, 2024

/s/ LEE-LEAN SHU

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Lee-Lean Shu

*President, Chief Executive Officer and Chairman*

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT  
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Douglas M. Schirle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GSI Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 2, 2024

/s/ DOUGLAS M. SCHIRLE

Douglas M. Schirle  
*Chief Financial Officer*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of GSI Technology, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of the Company, each certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 2, 2024

/s/ LEE-LEAN SHU

Lee-Lean Shu

*President, Chief Executive Officer and Chairman*

/s/ DOUGLAS M. SCHIRLE

Douglas M. Schirle

*Chief Financial Officer*

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.*

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