GSI Technology, Inc.

Second Quarter Fiscal Year 2027 Results Conference Call

November 5, 2026

CORPORATE PARTICIPANTS

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

Didier Lasserre, *Vice President of Sales*

Douglas Schirle, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

David Williams, *Needham & Company*

PRESENTATION

Operator

Good day and welcome to GSI Technologies Second Quarter Fiscal Year 2027 Results Conference Call.

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

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

Additionally, I have also been asked to advise you that this conference call is being recorded today, November 5, 2026, at the request of GSI Technology. Lee-Lean Shu, the Company's Chairman, President, and Chief Executive Officer, will be hosting the call today. With him are Douglas Schirle, Chief Financial Officer, and Didier Lasserre, Vice President of Sales.

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

Lee-Lean Shu

Thank you, Operator, and thank you all for joining us today.

In the second quarter of fiscal 2027, we made progress on our projects and plans to bring our APU technology to market. We recently announced that the initial stage of our Smart Guardian Eye Phase I project in Taiwan was accepted. The system is now providing live AI video monitoring and incident reporting, confirming Gemini-II can perform in real-world applications. We plan to leverage these projects into repeatable business and revenue.

In addition to securing design wins for Gemini-II, we are advancing two important initiatives to grow our APU business – our AI-assisted software development kit, or SDK, and Plato, our next-generation APU.

Our team continues to test and improve our AI-assisted SDK, and Didier will update you on that progress.

Plato, our next-generation APU, remains on schedule for tape-out in March 2027. We expect to have first-spin chips ready for initial sampling by late summer of calendar 2027. Plato is designed to run AI inference at less than 10 watts of power. We believe its low-power capability will open new market opportunities for GSI. We are also seeing interest from potential strategic partners who could help us to expand our capabilities to enter new market.

For the remainder of fiscal 2027, we have three main goals. We plan to pursue Phase II of the Smart Guardian Eye project, finalize our AI-assisted SDK for commercial release in the first half of calendar 2027, and complete Plato's tape-out while seeking strategic partners as we prepare to bring it to market.

Didier will now provide more details on our business and technology progress, followed by Doug, who will review our financial results and outlook. Afterward, we will be happy to answer your questions.

Didier, over to you.

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Didier Lasserre

Thank you, Lee-Lean.

As we discussed on our last call, our Gemini-II commercialization strategy is to focus our resources on a small number of proof-of-concept and early deployment programs. Our goal is to turn these projects into reference applications and apply the software and engineering work to similar opportunities. This approach will allow us to pursue new applications more efficiently without significantly expanding our internal engineering resources.

I'll begin with Smart Guardian Eye in Hsinchu County, Taiwan, where, shortly after quarter end in early October, we achieved our most visible commercial milestone to date.

As Lee-Lean mentioned, the county accepted the initial stage of Phase I, and the system is now providing live AI video monitoring and incident reporting. As a reminder, the Phase I program covers approximately 20 cameras and demonstrates that Gemini-II can support real-world applications where timely detection and response are crucial to public safety.

Our next opportunity in this project will be Phase II, which is expected to expand the deployment to approximately 80 cameras and introduce automatic speech recognition. We are preparing to submit a proposal once the government issues its quotation request. Any additional work we receive on this project will depend on the competitive procurement process and the county's final decision.

The Smart Guardian Eye platform combines image interpretation, event detection and natural-language capabilities that identify relevant activity and help operators respond more rapidly. We are pursuing opportunities to apply these capabilities to other surveillance and smart-infrastructure applications, leveraging the software and integration work developed for this project. This is the model we intend to use: develop a solution for a specific application, demonstrate its performance in the field, and reuse the technology across future deployments.

Let me switch gears to talk about our AI-assisted SDK, which we are now calling GRINN. GRINN stands for GSI Runtime Infrastructure for Neural Networks, and is expected to play an important role in our Gemini-II commercialization strategy. Our software engineers are now using GRINN for model and algorithm development. They can take existing AI models from open-source platforms, such as Hugging Face or GitHub, and adapt them to run on the APU within hours. GRINN is designed to support a broad range of neural networks, significantly reducing the engineering effort previously required to bring models onto our architecture.

On our last call, we reported that GRINN had reduced development work previously requiring approximately one engineer-year to less than a month. Since then, we have made further improvements, with some development tasks now completed in less than a week. While development time varies depending on the complexity of the model and application, these improvements demonstrate GRINN’s growing capabilities. Beyond reducing development time, GRINN has developed an ability to understand the APU architecture and apply that knowledge to optimize how AI models are implemented on our chip. We believe this hardware-aware approach is an important differentiator from conventional software development tools.

By simplifying model adaptation and reducing engineering effort, GRINN should make it easier and faster for customers and system integrators to evaluate Gemini-II, while allowing GSI to support more simultaneous evaluations. Our development team is incorporating feedback from internal users to further refine GRINN’s performance. We expect to release it to initial customers before the end of December 2026, followed by a commercial release in the first half of calendar 2027.

Turning to our Sentinel program with G2 Tech, we have completed our chip and software deliverables for the earlier phase of the project. Laboratory testing demonstrated a time to first token of approximately 2.4

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seconds for Gemma 3 12B LLM model, meeting the low-latency and power-efficiency requirements of this drone and perimeter-security application.

The next step is a field demonstration under G2 Tech's leadership. The timing depends on our partner and the participating defense agencies. We currently anticipate that the demonstration could take place in the first half of calendar 2027. A successful demonstration would represent another important validation of Gemini-II, although further funding and commercial orders will depend on subsequent program decisions. We also continue to advance our government-funded Small Business Innovation Research, or SBIR, programs.

Under our U.S. Army Phase II SBIR award, we are developing a ruggedized Gemini-II-based edge AI node designed for demanding military environments. This program is valuable because government funding supports the development of the hardware and software that could potentially be adapted by us for other defense applications. It also allows us to demonstrate the APU's capabilities in systems that must operate reliably under difficult field conditions. We expect this project to be completed in summer 2027.

In our work with the Space Development Agency, we completed radiation testing on a standard, off-the-shelf Gemini-II device. We have received and reviewed the single-event latch-up test results and are awaiting the final interpretation of the total ionizing dose results.

The preliminary findings based on the single-event latch-up test results are very encouraging and indicate that Gemini-II is radiation-tolerant. This implies that an off-the-shelf Gemini-II chip can be suitable for certain space and other harsh-environment applications. We look forward to sharing additional information once the final reports are available.

As Lee-Lean mentioned, Plato remains on schedule for tape-out in March 2027. We are targeting our first-spin chips for initial sampling by late summer of calendar 2027. Plato is designed to deliver AI inference at less than 10 watts, making it suitable for AI processing that must take place locally with limited power, cooling or access to electricity. Examples would include battery-powered cameras, small autonomous drones, mobile robots, and remote industrial sensors.

To put that into perspective, Plato utilizes about the same amount of power as an LED bulb in a desk lamp. We believe this combination of low power consumption and fast response times would open large markets to GSI in autonomous systems, robotics, intelligent cameras and other edge AI applications.

As we experienced with Gemini-II, initial silicon may be suitable for evaluation with software workarounds while additional testing and refinement continue. However, it remains to be seen whether a subsequent chip revision will be necessary before commercial production.

Plato's preliminary performance and power-efficiency targets are also attracting interest from potential strategic partners. Partnerships are an important part of our commercialization strategy for Plato. They could provide the resources, software expertise and market access needed to pursue new opportunities that we cannot address independently today.

In summary, our recent progress provides further evidence that Gemini-II can perform in real-world customer applications. Going forward, our focus remains on completing existing programs, turning successful projects into additional commercial opportunities, and delivering GRINN to support a broader ecosystem of customers and system integrators. At the same time, we are keeping Plato's development program on schedule and pursuing strategic partners to support its commercialization.

With that, I'll turn it over to Doug. Doug, go ahead, please.

Douglas Schirle

Thank you, Didier.

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In my comments, I will provide additional context around the second quarter financial results included in the earnings release we issued today after the market close.

Revenue for the second quarter of fiscal 2027 was $6.0 million, within our guidance range but slightly below the midpoint.

During the quarter, some inventory levels were insufficient to fulfill certain customer orders, and extended manufacturing lead times have made it more difficult to replenish inventory. As a result, some customer shipments have been delayed, which is also affecting our revenue outlook for the third quarter.

Overall, our SRAM revenue has remained relatively stable over the past six quarters, although customer ordering patterns have become more variable in this fiscal year. As we have discussed previously, these fluctuations in customer order patterns can affect quarterly revenue and gross margin.

For example, we had no shipments to Cadence during the second quarter, while sales to KYEC represented 19.7% of net revenues, compared with 16.1% in the preceding quarter. Despite the variability in quarterly orders, we continue to anticipate shipments to our customers supporting AI chip design and semiconductor manufacturing.

Shipments to military and defense customers increased to 46.7% of total shipments in the second quarter, compared with 28.9% in the year-ago quarter and 31.3% in the preceding quarter. This proportion is consistent with historical levels before the recent increase in sales to customers supporting AI chip design and semiconductor manufacturing.

Second quarter gross margin was 48.5%, below our guidance range of 53% to 55%, primarily reflecting higher manufacturing costs related to constraints affecting wafers and outsourced assembly, burn-in and testing.

These cost pressures are continuing into the third quarter. Together with the anticipated product mix, they are affecting our gross margin outlook.

As stated in today's earnings release, we currently anticipate third quarter fiscal 2027 revenue of $5.0 million to $6.0 million, with gross margin of approximately 38% to 40%.

To address higher manufacturing costs, we plan to implement customer price increases immediately on new orders and effective January 1, 2027, on existing backlog. We are also working with our manufacturing partners to improve inventory availability, although replenishment will take time given current manufacturing lead times.

We anticipate that these measures will support a recovery in revenue and gross margin beginning in the fourth quarter of fiscal 2027.

Turning to operating expenses, total operating expenses increased to $10.4 million, compared with $6.7 million in the year-ago quarter and $8.8 million in the preceding quarter.

Two factors contributed to the increase:

> The year-over-year increase in R&D this quarter was primarily driven by external design services related to Plato. As I have stated on our prior earnings calls, we expect these development costs to continue through the planned tape-out in March 2027. The increase in R&D expenses was partially offset by higher government funding under our SBIR programs. These offsets totaled $556,000 during the quarter, compared with $279,000 a year ago and $336,000 in the preceding quarter.

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As a reminder, SBIR funding offsets certain development expenses and varies quarterly based on project milestones and the timing of reimbursements. Our software development costs can also be affected by fluctuations in the Israeli shekel relative to the U.S. dollar.

The second factor affecting operating expenses this quarter was an increase in selling, general and administrative expenses, primarily related to approximately $2.0 million of non-routine legal and other professional fees associated with an internal assessment of certain vendor matters within our foreign operations. These fees were partially offset by a $600,000 gain from assets received in a vendor settlement, resulting in a net impact of approximately $1.4 million.

The internal assessment was concluded during the quarter, and we do not expect significant additional expenses related to these matters. Further information is included in our earnings release and SEC filings.

Operating loss for the second quarter was $7.4 million, compared with $5.4 million in the preceding quarter. Our net loss was $7.0 million, or $0.18 per diluted share.

Turning to the balance sheet and our cash flow, we ended the quarter with $69.2 million in cash and cash equivalents, compared with $77.0 million at June 30, 2026.

Net cash used in operating activities was approximately $8.0 million during the quarter, reflecting spending on Plato development, Gemini-II commercialization and the internal assessment discussed earlier. You can find the detail of the cash flow in today's earnings release.

Our operating cash usage this quarter exceeded our previously discussed expectation of approximately $4 million per quarter, primarily for the reasons I just reviewed.

Despite the higher cash usage this quarter and based on our current operating plan, we continue to anticipate quarterly cash usage of approximately $4 million, or $16 million annually, as we complete Gemini-II software development and advance Plato toward tape-out. Actual cash usage may vary depending on the timing of development milestones and other program activities.

We ended the quarter with no debt, and a cash balance of $69.2 million, above the $67.2 million we reported at the end of fiscal 2026.

Our debt-free balance sheet provides the financial resources to continue our planned investments in Gemini-II commercialization, including software development and the ongoing development of Plato, while maintaining a disciplined approach to capital allocation.

This concludes our prepared remarks. Operator, at this point, please open the call to Q&A.

Operator

We will now begin the question-and-answer session. To ask a question, you may press star, then one, on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. Once again, that was star, then one to ask a question. At this time, we will pause momentarily to assemble the roster.

Our first question will come from David Williams of Needham. Please go ahead.

David Williams

Hey, good afternoon, everyone, and thanks for taking my questions here. I guess first, around the constraints that you mentioned, and some of the order patterns. If you could maybe give us a little more

color around where you're seeing the constraints and the magnitude of those, and where you think you might have an opportunity to overcome some of that in the next couple of quarters.

Douglas Schirle

We have issues with customers, particularly the larger customers, in that as much as we tell them that they need to place backlog, given the manufacturing constraints and lead times we're seeing,mthat hasn't happened yet. A lot of our smaller customers have placed backlog, and that's probably okay. But the real issue has been with the larger customers with the higher volume products.

Didier Lasserre

Yes, and that also is coupled with the extension on the lead times, substrate lead times, assembly lead times have all gone out as well. It's, between those two, what's affected the constraint.

David Williams

Okay, great. Then, I think you had mentioned the strategic partners in your script. Just wonder if you can elaborate a bit more on those strategic partners, what that could look like, and maybe when you expect to be able to announce something more solid there.

Didier Lasserre

That's a good question. We can't discuss anything yet, because nothing is signed at this point. We are having discussions. As we discussed, a strategic partnership would be to bring us into a market, or markets that we are currently not addressing ourselves. It's certainly interesting for us to have somebody else do the development, both on the hardware system side, along with the software to support applications for those markets. We've been negotiating with one in particular for some time now, and there might be something to announce by the end of this year or into early next year.

David Williams

Okay, great. Then maybe just any color on the SDK, I like the name GRINN - I believe is what you've named that. But maybe just talk about those expectations. Obviously, it's doing better today, you said it improved from one week versus a month in terms of how quickly that's accelerating the time to load databases. But it seems like that platform opens a lot of opportunities and really gets you close to that commercialization goal. One, I guess, is that fair? Then what maybe are you most encouraged by from that you've seen from GRINN so far? Thanks.

Didier Lasserre

Yeah, absolutely. We need the software tools. Up until now, we've been completely reliant on our Israeli team for all of the model and algorithm development. As you guys know, we have limited resources within the Company. In that respect, this limits what we can do.

What we're doing now, and we touched on this, is to try and do different POCs. We've done a drone, we're in a smart city, we're looking at other POCs. That shows that we're viable for a certain markets. But then in order to attract customers, and integrators to really address all the customers within those markets, they're going to need the tools like GRINN.

GRINN is going to allow them to develop their own algorithms and models without help from us. Because again, we just can't scale the way we're doing it now. GRINN is going to be critical for us to be able to build the ecosystem for all the customers along the markets.

David Williams

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Okay, fantastic. Then maybe just lastly, you talked a little bit about seeing some interest in Plato. Can you talk a little bit about the different platforms and where you're seeing the interest between Gemini and Plato and maybe just the size of the magnitude of that interest today? That's all for me. Thank you.

Lee-Lean Shu

Yeah, we are seeing all kinds of use cases for Plato from the small battery-operated platforms to industrial PCs, to enterprise servers, eventually even to the data center. We can almost see the whole spectrum of the AI application with Plato. That's what we are talking about, we are talking to strategic partners, to take part in some of those markets. Because we don't have a lot of resources to develop for these markets, and to go into every market to develop the specific application. That pretty much is what we are seeing right now.

Douglas Schirle

Any other questions, David?

David Williams

No, sir. I believe that's it for me. Thank you.

Douglas Schirle

Thank you.

Operator

Once again, if you would like to ask a question, please press star then one.

This concludes our question-and-answer session. I'd like to turn the call over to Lee-Lean Shu for any closing remarks.

Lee-Lean Shu

Our goals for the coming quarter, upcoming quarter, are straightforward. Execute on the customer programs now underway. Continue advancing GRINN development and deliver the next milestones in the Plato roadmap, along with pursuing strategic partnerships that can support its commercialization. We appreciate the continued support of our Shareholders and look forward to reporting on our progress.

One final note, I'd like to remind listeners that Didier will attend the Roth Technology Conference on November 18. Please contact your Roth representative to book a meeting. We are also participating in the annual Needham Growth Conference in January 2027, and we encourage you to reach out to your Needham representative to book a one-on-one meeting.

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

Operator

The conference has now concluded. Thank you for attending today's presentation and you may now disconnect.

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