

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

## GSIT - Q3 2012 GSI TECHNOLOGY INC. EARNINGS CONFERENCE CALL

EVENT DATE/TIME: JANUARY 26, 2012 / 9:30PM GMT



## CORPORATE PARTICIPANTS

**Lee-Lean Shu** *GSI Technology, Inc. - Chairman, President, CEO*

**Doug Schirle** *GSI Technology, Inc. - CFO*

**Didier Lasserre** *GSI Technology, Inc. - VP Sales*

## CONFERENCE CALL PARTICIPANTS

**Mike Crawford** *B. Riley & Co. - Analyst*

**Daniel Marquardt** *Robert W. Baird & Company, Inc. - Analyst*

**James Lee** *Potrero Capital - Analyst*

**HW Chen** *Monet Capital - Managing Partner*

**Tim Fonda**

**George Gaspar** *Robert W. Baird & Company, Inc. - Analyst*

**Steve Bahman**

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. Welcome to GSI Technology Fiscal 2012 Third Quarter Conference Call. At this time all participants are in a listen-only mode. Later, we will conduct a question and answer session. At that time, we will provide instructions for those interested in entering the queue for the Q & A.

Before we begin today's conference call, the Company 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 is being recorded today, January 26, 2012, at the request of GSI Technology. Hosting the call today is Lee-Lean Shu, the Company's Chairman, President, and Chief Executive Officer. 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** - *GSI Technology, Inc. - Chairman, President, CEO*

Welcome, everyone, thank you for joining me -- joining us. This afternoon we reported financial results for the third quarter of our 2012 fiscal year. Net revenues of \$20 million was better than expected due primarily to higher than anticipated sales to Cisco Systems, our largest customer, largely as a result of production problems experienced by another supplier. Sales to Cisco in the third quarter were \$9.9 million versus \$7.9 million in the preceding quarter.

Gross margin was essentially flat at 43.9% versus 43.6% in the prior quarter. This was pretty much as we had expected. As networking and telecom suppliers address the ongoing demand for ever more bandwidth, we will continue to see a need for faster and denser memory products.



This should be good for GSI, given that our extensive product portfolio includes some of the fastest and densest devices in the marketplace. These typically have higher ASPs, which in turn support higher margins. In this environment, we believe that we can continue to achieve gross margins in the mid-40s.

Operating margins, on the other hand, are far more difficult to predict. Witness third quarter operating margin, which at 3.4% was considerably lower than we had anticipated. As expected, R&D expenses were essentially flat at \$2.6 million, versus \$2.7 million in the prior quarter.

Legal expenses related to a Cypress litigation, however, were higher than expected at \$3 million. This included the cost of numerous depositions, compared to \$1.9 million in the second quarter. These higher legal expenses led to SG&A of \$5.5 million, compared to \$4.4 million in the prior quarter. As a result, operating income fell to \$687,000 compared to \$1.9 million in the second quarter.

The litigation, as most of you know, dates from March of last year when Cypress Semiconductor filed a lawsuit in Federal Court accusing GSI of violating a number of SRAM patents. This was followed in July by a similar complaint with the US International Trade Commission. The ITC complaint is scheduled to go to trial before an administrative law judge in March. A preliminary ruling is expected in July, with a final ruling by November.

We are pleased that, despite the onerous legal expenses, we were able to report our 33 consecutive quarter of profitability with net income of \$991,000, or \$0.03 per share. This included interest and other income of \$157,000 and a tax benefit of \$147,000.

Maintaining this record of consecutive quarters of profitability may prove to be a challenge given the fact that we are likely to incur substantial legal expenses for at least the next several quarters. Given our experience of the most recent quarter, I will not attempt to predict just what they might be, other than to say that our current expectation is that fourth-quarter litigation related expenses will likely be similar to those of the third quarter.

We are fortunate to have an exceptionally strong balance sheet. And I can assure you that we will vigorously defend against Cypress' unwarranted claim of patent infringements. To do otherwise, could be a disservice to our shareholders, as it [would] risk foregoing a future stream of revenues that is rightly ours, and which is important to the Company continuous success.

With that, I will turn the call over to Doug.

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

Thank you, Lee-Lean. Today we reported GSI's 33 consecutive quarter of profitability. We reported net income of \$991,000 or \$0.03 per diluted share on net revenues of \$20 million in our third fiscal quarter ended December 31, 2011, compared to net income of \$5.8 million, or \$0.20 per diluted share on net revenues of \$26.2 million in the third quarter of fiscal 2011.

Third quarter fiscal 2012 results were impacted by \$3 million in litigation-related expenses, whereas there are no such expenses in the comparable period a year ago. In the prior quarter ended September 30, 2011, during which we incurred \$1.9 million in litigation-related expenses, net income was \$1.7 million or \$0.06 per diluted share on net revenues of \$20.8 million.

As Lee-Lean has noted, the litigation-related expenses were primarily associated with the patent infringement proceeding pending before the ITC that was instituted on July 21, 2011 and is scheduled for trial in March 2012.

For the nine months ended December 31, 2011, net income was \$5.9 million or \$0.20 per diluted share on net revenues of \$63.8 million, compared to net income of \$15.5 million, or \$0.53 per diluted share on net revenues of \$75.9 million in the first nine months of fiscal 2011.

Third quarter direct and indirect sales to Cisco Systems were \$9.9 million or 49.5% of net revenues, compared to \$7.9 million or 38.0% of net revenues in the second quarter. Third quarter fiscal 2011 sales to Cisco Systems were \$9.8 million or 37.2% of net revenues. Sales to Huawei Technologies were \$1.5 million or 7.6% of net revenues, compared to \$774,000 or 3.7% of net revenues in the second quarter, and \$2.8 million or 10.7% of net revenues a year ago.



Military/defense sales at 6.3% of shipments in the third quarter versus 10.0% in the prior quarter were down in both dollar terms and as a percentage of shipments. In the comparable period a year ago, military/defense sales, which historically have varied considerably from quarter-to-quarter were 8.8% of shipments.

SigmaQuad sales were 32.1% of total shipments, compared to 35.4% in the second quarter, and 32.1% in the third quarter of fiscal 2011. Total third quarter fiscal 2012 pretax stock-based compensation expense was \$532,000 compared to \$515,000 in the prior quarter, and \$428,000 in the third quarter of fiscal 2011.

At December 31, 2011, we had \$52 million in cash, cash equivalents, and short-term investments, \$37.6 million in long-term investments, \$79.6 million in working capital, no debt, and stockholder's equity of \$129.2 million. We currently expect our effective tax rate to be approximately 19.5% in fiscal 2012.

Accounts payable at December 31 is \$3.1 million, down from \$5.6 million at March 31, 2011. Net inventory was \$20.5 million at December 31, down from \$23 million at September 30. Inventory turns at December 31 are 2.2 times, compared to 2.3 at March 31. Depreciation and amortization expense was \$2 million in the nine months ended December 31, 2011.

On November 6, 2008, our Board of Directors authorized the repurchase, at management's discretion, of up to \$10 million of our common stock. Under the repurchase program, we may purchase 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 third quarter of fiscal 2012, we purchased 890,826 shares of our common stock at an average cost of \$4.77 per share. To-date, we have repurchased a total of 2,417,487 shares under the repurchase program at an average cost of \$3.57 per share, for a total cost of \$8.6 million. We announced today that our Board has expanded the repurchase program by an additional \$10 million, so that our total repurchase authority is currently \$11.4 million.

We currently expect revenues in the fourth quarter of fiscal 2012 to be in the range of \$15 million to \$18 million, with gross margin of approximately 43.5%. Like others in our industry, we expect a continued market weakness will negatively impact our sales during the quarter. In addition, the benefit that we experienced due to the production problems at one of Cisco System's other suppliers was temporary, and appears to have been resolved.

Finally, although third-quarter revenues exceeded our earlier forecasts, we believe that they were negatively effected by uncertainty regarding our pending patent litigation with Cypress. We believe that this uncertainty will continue to effect our revenues, and will likely have an increased impact in the fourth quarter.

We also expect that ongoing legal expenses related to the patent litigation will continue to effect our operating income and our bottom line. These expenses are estimated to be approximately \$3 million during the fourth quarter as we prepare for trial in March 2012. We currently expect operating expenses for the fourth quarter to be approximately \$8 million.

Operator, at this time we can open up to questions. Operator, we're ready for answering questions.

---

## QUESTIONS AND ANSWERS

### Operator

Your first question comes from the line of Mike Crawford.

---



**Mike Crawford** - *B. Riley & Co. - Analyst*

Thank you. So, there's been a temporary impact due to uncertainty with the litigation that's heading to trial next month. Would you say this is -- were you seeing this more in the channel, or more from such as these announcements we've seen where Alcatel-Lucent is made some kind of agreement? Where are you seeing it specifically?

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Mike, this is Didier. It's a combination of both, what you mentioned. So, certainly, the respondents, or the customers that have been indicated -- or I should say, a part of this litigation with us, as you said, a couple of us signed agreements. We're not privy to what those agreements entailed, but certainly, we can guess that it will effect some of our current business.

So, we have seen a little bit of that. And then we have seen some weakness -- it's difficult to determine whether its attributed to the litigation itself, or just some softening. Some of it we do believe is part of litigation, just because of some of the questions we have been receiving from some customers.

---

**Mike Crawford** - *B. Riley & Co. - Analyst*

Okay thanks, Didier. And regarding the end markets -- so for your very fast SRAMs that are going into communications and networking, what are the weaker pockets in the market, and what do you see going on, if you had to put on your macro-lens there?

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

So, for us, it's more geographical. We did see some weakness in Europe; it was down a bit this past quarter. But where we really saw a decrease was in Asia. A little bit in the China -- I mean Huawei was up, but the rest of the China market was down for us. And then some of the other sectors -- we have a couple significant customers in Asia that actually were down this past quarter.

These particular customers weren't part of the litigation, so I don't think it has anything to do with that, but certainly they had some weakness. And they were actually on the military sector, so that helped attribute to the fact that we went from 10% down to 6% in the military spend. So certainly, we do see some weakness in that area as well.

---

**Mike Crawford** - *B. Riley & Co. - Analyst*

Okay, thank you. And last question relates to your anti-trust assertion, or your assertion against Cypress. Is that something that's to be considered by the ITC, or is that in a different venue or both?

---

**Lee-Lean Shu** - *GSI Technology, Inc. - Chairman, President, CEO*

Yes. That's-- and that's obviously in the Federal court, Northern District of California. So, we are still working on the trial.

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

It's totally independent of ITC.

---

**Mike Crawford** - *B. Riley & Co. - Analyst*

Okay. Thank you very much.



---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

Thanks, Mike.

---

**Operator**

Your next question comes from Tristan Gerra.

---

**Daniel Marquardt** - *Robert W. Baird & Company, Inc. - Analyst*

Hi, this is Daniel Marquardt for Tristan Gerra. I wanted to ask about the strength that you saw at Huawei relative to the rest of China. I'm just trying to see kind of from your perspective where you believe inventories are in the channel for your Chinese -- for your Asian customers.

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

So, I think the strength -- part of it had to do with the -- a bit of a lag from the quarter before. So Huawei was down in our September quarter, further than we anticipated, and part of it was -- I believe I had mentioned it in the last call that there was a stall or a delay in one of the qualifications that we had with them that we anticipated.

So that call was cleared up, so there was a bit of a back up of product which they took in the December quarter. So that, I believe, was part of the reason that Huawei was up. I'm not sure that reflected by some of other suppliers that support Huawei as much as for us for our isolated reasons.

So, in general, I would say that the inventory levels are actually in very good shape in that respect. And I'm hoping that we see a recovery with Huawei in general. But, with that said, the jump in the revenues for them this past quarter was more, I believe, of a build up that should have been more spread out over the September and December quarter.

---

**Daniel Marquardt** - *Robert W. Baird & Company, Inc. - Analyst*

Thanks. And then, in terms of the market-share opportunity from Samsung. I'm just wondering if you guys could kind of quantify that, maybe talk about when you think that's going to hit.

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Certainly, the documentation that we've seen has been that the last-time buy from Samsung will be the end of June this year, with the last-time ship the end of December of this year. It's my guess that some of the major customers from Samsung will get an extension beyond those dates. I don't anticipate anything happening right this second, because certainly they can take products through the end of the year.

But we have seen customers -- I shouldn't say have seen -- we've been in contact with customers who have indicated that they're certainly at a point now where they're starting to look for the other sources to replace the Samsung business. So my guess is we'll start seeing more of that transition in the third quarter -- I'm talking calendar quarter, so third calendar quarter this year in fourth quarter.

I don't anticipate, on products that are multi-source, that customers are going to be placing last-time buys with Samsung. My guess is they're going to limit that just to products that are unique or sole-source with Samsung.



**Daniel Marquardt** - *Robert W. Baird & Company, Inc. - Analyst*

And, do you guys -- or, to what extent do you have service-provider exposure?

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Some of our customers are putting together switches for that market space -- for routers, I should say, for that market space. The answer is, we will have exposure. Certainly, one of the announcements that was made by Alcatel a few months back about their next-generation -- their 400Gb service-provider router -- we're certainly an integral part of that system. So, I think that's going to be a market that's going to be growing for us as the year continues.

---

**Operator**

Your next question comes from James Lee.

---

**James Lee** - *Potrero Capital - Analyst*

Hi. With regards to guidance, has Cisco or Huawei -- have any of them pulled back on orders citing the Cypress concern?

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

No. So at this point, from the two customers you just mentioned the answer is no. So, Huawei is not involved in the litigation. And, right now, with Cisco, we anticipate Cisco will be down this quarter for us, but it's more a reflection of what Doug had mentioned earlier, which is, we were getting this past quarter, 100% of a high-value socket at Cisco.

And it's one that we historically share with another competitor 50/50, and this other competitor, as Doug mentioned, was having some production issues. That's been cleared up, so we anticipate to going back to a 50/50 percent split on this high-value socket.

So the answer is, we will lose revenues at Cisco, but it's more of a reflection of another supplier getting healthy, and has nothing to do with the litigation.

---

**Daniel Marquardt** - *Robert W. Baird & Company, Inc. - Analyst*

Okay. So Cisco has not indicated that they will pull back -- that they're concerned about the Cypress litigation.

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Well, they're certainly a part of the litigation, so I'm sure they're concerned, but they have not made any indication at this point that they're making any changes. We received our word of business from Cisco that covers the February, March, and April timeframe, because the Cisco quarters are off from calendar quarters. And so, that timeframe, the award looks -- looks normal. I mean, there are no drastic changes.

---

**Daniel Marquardt** - *Robert W. Baird & Company, Inc. - Analyst*

And on litigation expense, is \$3 million the expected quarterly run rate going forward, or is that going to ramp up?

---



**Doug Schirle** - *GSI Technology, Inc. - CFO*

Well, it's tough to get a handle on it. We do work with the attorneys to get estimates of what they think it's going to cost us each quarter, and their estimate for this quarter is \$3 million. But a lot of it is outside of their control. The December quarter had a lot of depositions. A lot of time was spent deposing.

Our employees are sitting in those depositions and deposing Cypress' employees. So they spent a lot of work, a lot of motions that have been worked on. The March quarter, again, is going to be a very hectic quarter. Again, a lot of motions that will be filed, and then we have the trial coming up in the middle of March.

Going forward, I would certainly hope that it wouldn't be more than \$3 million in the June quarter. And I'd hope that a quarter or two out hopefully that will start to drop. But we don't really have a good picture on what those expenses are going to be.

---

**Daniel Marquardt** - *Robert W. Baird & Company, Inc. - Analyst*

And do you anticipate the March quarter to sort of be the bottom in terms of -- from the revenue perspective?

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Hard to predict at this point, but certainly -- hopefully that's the case. Unfortunately, it's very difficult to forecast. You can see that we generally have a smaller window for our revenue guidance. We have a larger window this quarter.

Besides the obvious economic factors that I'm sure you're hearing from other vendors who are reporting this week, we have the added murkiness of this ITC litigation. And so, it's typical for us to predict exactly what's going to happen as we get closer to the trial date and so forth, as far as what customers may or may not do as far as hedging their bets in the case.

It's very difficult for us to guess what the revenues will be going forward, but hopefully, this quarter will be the bottom.

---

**Daniel Marquardt** - *Robert W. Baird & Company, Inc. - Analyst*

And, lastly, on cash burn. You guys have talked about the possibility of it being a little more difficult. So, given that the revenue is going to be down, is there any more costs that you can take out of the cost structure to stay, at least cash-flow break even?

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

Well, we don't have a lot of discretionary expenses. Our biggest expenses other than headcount related, are for manufacturing expenses for wafers, and assembly and test operations.

We do try to keep on top of that and we only spend what we believe is necessary. If, for some reason, we felt that we had -- revise our structure some way, I know we could take a look, but there's really not a lot of discretionary spending in there right now.

---

**Daniel Marquardt** - *Robert W. Baird & Company, Inc. - Analyst*

Great. Thank you.





**Doug Schirle** - *GSI Technology, Inc. - CFO*

Thank you.

---

**Operator**

(Operator Instructions)

Your next question comes from HW Chen.

---

**HW Chen** - *Monet Capital - Managing Partner*

Hello.

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Hi, HW.

---

**HW Chen** - *Monet Capital - Managing Partner*

Yes. I have two questions. The first question is, can we redesign our chip to avoid Cypress patent issue? And second issue [is here], I still didn't hear anything regarding the area of LLDRAM, because [our revenue] is going down. So what happens to area of DRAM?

---

**Lee-Lean Shu** - *GSI Technology, Inc. - Chairman, President, CEO*

Well, HW, I think that you see today's press release, we are filing summary determination to ITC. Those summary determinations are based on the (inaudible) infringement, which mean that we don't believe that we violated any Cypress patent. So, there is no -- there is more or less no such thing as redesigning.

In the area of DRAM, one of the [product] we got the both (inaudible) and 288Mb -- 576Mb, 288Mb both functional on the silicon (inaudible), but we do have one or two bugs. We already identified it. We're going to do -- release of a silicon going to come out in May, March, early April. But in the meantime, now we still working with some customers on the qualification basis. So we believe by the second half of this year, we should start seeing the revenue from those products.

---

**HW Chen** - *Monet Capital - Managing Partner*

Okay, thank you.

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Thanks, HW.

---

**HW Chen** - *Monet Capital - Managing Partner*

Yes.



**Operator**

Your next question comes from [Tim Fonda].

---

**Tim Fonda**

Good afternoon, gentlemen. Just two quick questions. Have you seen significant revenues from your low-latency DRAM products? And also, do you see any significant military contracts coming in the near future?

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

So, we've had no revenue from the LLDRAM to this point. As Lee-Lean just mentioned, that the part still has another -- one bug that needs to be worked out before we can start the qual processes at our customers. We've had a few customers that have qualified it, outside of this one bug, because as Lee-Lean mentioned on the functionality level, the part is fine.

But the major folks that are really drive the revenues are waiting for the fully-functional mass-produced part. And, again, we have this one bug that we have to fix. So, at this point, there are no LL revenues.

As far as the military, in general, it's been a lumpy market for us, as we've always talked about. There has been in general less funding where on the military side, obviously, as we start pulling out of some of the conflicts around the world. And so, we have seen some decreased spending there.

But there is, what we put under -- so we lumped military and homeland security and defense, all in one bucket. And there is one program in there that is waiting for -- and I've talked about this is in the past. It's waiting for some funding now, and it's essentially a server that's going to be monitoring the space junk orbiting the earth.

So that's certainly a nice program that could be taking off. Best case would be kind of end of this year kind of time frame, but at this point, that program is still waiting for funding from the government.

---

**Tim Fonda**

Great. Thank you for your time.

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Your welcome.

---

**Operator**

Your next question comes from George Gaspar.

---

**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

Yes, good afternoon. Just been working remotely -- and could you just again give me the number of shares outstanding at the quarter after your stock repurchase?

---



**Doug Schirle** - *GSI Technology, Inc. - CFO*

Yes, they're a little over 28 million. It's at 28,016,515 shares actually outstanding.

---

**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And, secondly. The R&D expense if I read this correctly is in the range of the previous quarter.

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

Yes, it's flat.

---

**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

Can you explain where the emphasis is going and continuing to be? Is there anything new in that R&D that your applications are being rendered to?

---

**Lee-Lean Shu** - *GSI Technology, Inc. - Chairman, President, CEO*

Yes, right now we are heavily working on the next generation SM product. Also, we are working on the next generation low-latency even farther. Those products are targeted at the very high networking equipment. We also have a customer working with it.

So the target is that we want to improve our [quarterly transaction rate] (inaudible) today. Today we are really farther than anybody else in the market. So we believe the product in the work is going to be -- continue to enjoy the dominant position in the market.

---

**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

Okay. A question going forward. You may have mentioned this. Your R&D expenses going forward, will they continue basically in the same range as the previous quarter versus this lower revenue rate that you're experiencing? So, effectively, if your answer to that is yes, then the percentage application of expenses to R&D, will obviously go up here.

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

Yes, right now, R&D is essentially flat. It's been right in the \$2.6 million range for as far back as I can see, and short of letting people go, I don't see any changes there.

---

**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And then, lastly, you've recently commented prior to this call, and you may have made some reflection on this to a previous question, the new customer connection that you're developing, what appears to be some significance, what's the timing of that starting to materialize in terms of revenue stream for the Company?

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Can you be more specific on what opportunity you're talking about?



**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

I'm sorry. Again, I don't have it in front of me, but I believe that there was some comment on additional customer that was made when you pre-announced your potential revenue range, or am I wrong on that?

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

No, we didn't announce any new customers. I think our guidance when we were at the Needham Conference was that we would exceed the upper end of the range, but --

---

**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

Oh, okay.

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

We didn't talk about anything other than a higher revenue level.

---

**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

I see, I see.

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

What I think what we did talk about, and I did mention it on this call earlier, is we're in a significant program for that service provider that was brought up earlier. And that's a new platform for one of our top customers, and that's supposed to ramp, starting second half of this year.

The ramp is right now being determined by this customer obviously by their sales, but we're tied to it. So that when they become successful, or when this starts to ramp, we'll ramp with them. But at this point, it's difficult to quantify what that opportunity is.

---

**George Gaspar** - *Robert W. Baird & Company, Inc. - Analyst*

I see. Okay. I think you're pinpointing it for me. Thank you for the response.

---

**Didier Lasserre** - *GSI Technology, Inc. - VP Sales*

Not a problem, George.

---

**Operator**

And your final question comes from [Steve Bahman].

---



**Steve Bahman**

Hi, good afternoon, guys. Thanks for taking the question. And I'm going to ask you a question about what I'm sure is your favorite topic, which is the litigation with Cypress. Since apparently there's quite a bit of press releases going back and forth, I just wondered if you guys could clarify again or maybe reiterate the scope of the litigation.

You guys were pretty clear this morning that the scope of the litigation had not been expanded, and then Cypress denied that in their conference call this morning, which I imagine you saw, and just wondered if you could, once again, just expand on what the scope is.

---

**Lee-Lean Shu** - *GSI Technology, Inc. - Chairman, President, CEO*

Cypress filed their complaint at ITC [a single layer]. They can choose what product they want to accuse as long as it is reasonable and meet a certain minimum criteria of ITC. The title (inaudible), that's a title we definitely feel is wrong. And naturally -- recently are just like we are announcing our press release, so we --.

Most of the motion come off from the judge recently are pretty much are going our way. So, we completely understand what that press -- Cypress press announcement coming from. So, I think we believe, the main target is to our customer, and the press, and the shareholders. So (inaudible) issue, we tried to clear it up just so everybody understand what's going on here.

---

**Steve Bahman**

Okay. That's it for me. Thank you very much for going through that again.

---

**Lee-Lean Shu** - *GSI Technology, Inc. - Chairman, President, CEO*

Okay.

---

**Operator**

(Operator Instructions)

You have a follow-up question from HW Chen.

---

**HW Chen** - *Monet Capital - Managing Partner*

Yes, Lee-Lean, my question is very simple-minded. In case GSI win the case, can we sue Cypress?

---

**Lee-Lean Shu** - *GSI Technology, Inc. - Chairman, President, CEO*

We have a lawsuit pending.

---

**HW Chen** - *Monet Capital - Managing Partner*

And can we get all the money back?

**Doug Schirle** - *GSI Technology, Inc. - CFO*

We cannot recover any legal fees for the ITC activities.

---

**HW Chen** - *Monet Capital - Managing Partner*

Yes.

---

**Doug Schirle** - *GSI Technology, Inc. - CFO*

No, we can't. No recovery.

---

**HW Chen** - *Monet Capital - Managing Partner*

So, basically, they just try to destroy us or try to delay our progress.

---

**Lee-Lean Shu** - *GSI Technology, Inc. - Chairman, President, CEO*

We [already] say, in our press release -- we agree earlier on this press release, we believe this is really as a marketing strategy (inaudible) try to slow down GSI's progress.

---

**HW Chen** - *Monet Capital - Managing Partner*

Okay, thank you.

---

**Operator**

And now there are no further questions at this time.

---

**Lee-Lean Shu** - *GSI Technology, Inc. - Chairman, President, CEO*

Thank you all for joining us. We look forward to speaking with you in May, and we will report our fourth quarter and fiscal 2012 year end results. Thank you.

---

**Operator**

Thank you for participating in today's conference call. You may now disconnect.

---



**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2012, Thomson Reuters. All Rights Reserved.

