



**Fiscal 2017 Annual Report
and Proxy Statement**

July 2017

To Our Stockholders:

Looking back on our fiscal year ended March 31, 2017, our operating results were mixed. Our net revenues declined by 8.6% to \$48.2 million from \$52.7 million in the prior year, reflecting continued weakness in the global networking and telecommunications markets and, in particular, ongoing weakness in Asia.

However, on a more positive note, for the third year in a row our gross margin improved, increasing to 54.8% compared 50.7% in fiscal 2016 and 47.0% in fiscal 2015. In addition, litigation-related expenses in fiscal 2017 were minimal at \$142,000, down substantially from \$6.7 million in fiscal 2016 and \$8.6 million in fiscal 2015.

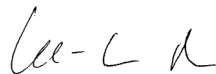
During fiscal 2017, we continued to return capital to our stockholders through the repurchase of shares of our common stock. To date, we have repurchased approximately 12.0 million shares of our common stock at a total cost of \$60.6 million, including 3.8 million shares repurchased in a modified “Dutch auction” self-tender offer completed in August 2014. At March 31, 2017, we had outstanding authorization from our Board of Directors to purchase up to an additional \$4.4 million of our common stock from time to time under the repurchase program.

As we begin fiscal 2018, we believe several trends and recent developments have helped position us for the future:

- *Positive financial outlook.* While the markets for high speed memory products remain challenging, our current outlook for quarterly top-line growth and continued strong gross margins during fiscal 2018 is positive. Our guidance going into fiscal 2018 is for gross margins above our traditional operating model.
- *Continued technology leadership in the SRAM market.* We remain focused on expanding our market position in the high speed segment of the SRAM market, including the development of our extremely high performance SigmaQuad radiation-hardened (“Rad-Hard”) SRAM products targeted at aerospace and defense applications, which we expect to introduce in the second half of calendar 2017. We expect the margins on this particular product line will be higher than our other products. Additionally, our existing SRAM products will continue to be in demand for use in networking, telecom and other applications where the need for greater capacity and power management continues to grow.
- *Development of associative computing technology and intellectual property.* In late calendar 2015, we acquired MikaMonu Group Ltd., a development-stage, Israel-based company that specializes in in-place associative computing. We are continuing to devote substantial resources toward the development of a new category of products based on this patented in-place associative computing technology and intellectual property, which we refer to as the Associative Processing Unit (APU). We believe our APU will offer substantial advantages over solutions that are currently available on the market. This product line will utilize massive parallel data processing capability to improve computation, search and response time for use in a variety of ‘big data’ applications such as machine learning and deep convolutional neural networks, computer vision and cyber security. However, we are still in the development phase of this technology, and initial products are not expected to be introduced to the market until calendar 2018.

With promising new products, prospects for improved financial results, and an expanded market opportunity with both our Rad-Hard product line and the APU technology under development, we are optimistic about our future. We look forward to keeping you apprised of our progress and, as always, we value your continuing support as shareholders.

Sincerely,



Lee-Lean Shu
Chairman, President and Chief Executive Officer



July 19, 2017

Dear Stockholder:

This year's annual meeting of stockholders will be held on Tuesday, August 29, 2017, at 2:00 p.m. local time, at the offices of DLA Piper LLP (US), 2000 University Avenue, East Palo Alto, California 94303. You are cordially invited to attend.

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

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

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

Sincerely yours,

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

Lee-Lean Shu
President, Chief Executive Officer and Chairman



1213 Elko Drive
Sunnyvale, CA 94089

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held August 29, 2017**

TO THE STOCKHOLDERS:

Notice is hereby given that the annual meeting of the stockholders of GSI Technology, Inc., a Delaware corporation, will be held on Tuesday, August 29, 2017, at 2:00 p.m. local time, at the offices of DLA Piper LLP (US) located at 2000 University Avenue, East Palo Alto, California 94303, for the following purposes:

1. To elect seven persons to serve on our Board of Directors until the next annual meeting of stockholders and until their respective successors are duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2018;
3. To vote on an advisory (non-binding) resolution regarding the fiscal 2017 compensation of the executive officers named in the Summary Compensation Table included in the proxy statement for the annual meeting;
4. To vote on an advisory (non-binding) resolution regarding the frequency of future advisory votes on executive compensation; and
5. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

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

Our Board of Directors unanimously recommends that you vote FOR all of the nominees proposed by our Board of Directors, FOR Proposals No. 2 and 3 and a vote of EVERY YEAR for Proposal No. 4. Stockholders of record at the close of business on July 10, 2017 are entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof. For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices located at 1213 Elko Drive, Sunnyvale, California 94089.

A handwritten signature in black ink, appearing to read 'Robert Yau', is written over a large, stylized, light-colored graphic element that resembles a signature or a large letter 'Y'.

Robert Yau
Secretary

Sunnyvale, California
July 19, 2017

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON AUGUST 29, 2017: Our proxy statement is enclosed. Financial and other information concerning GSI Technology, Inc. is contained in our annual report to stockholders for the fiscal year ended March 31, 2017. A complete set of proxy materials relating to our annual meeting is available on the Internet. These materials, consisting of the notice of annual meeting, proxy statement, proxy card and annual report to stockholders, may be viewed and downloaded at: <http://gsitechnology.mwnewsroom.com/Proxy-Materials>.

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

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held August 29, 2017**

The accompanying proxy is solicited by the Board of Directors of GSI Technology, Inc., a Delaware corporation, for use at its annual meeting of stockholders to be held on Tuesday, August 29, 2017, or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This proxy statement and the enclosed proxy are being mailed to stockholders on or about July 19, 2017. References in this proxy statement to the “Company,” “we,” “our,” “us” and “GSI Technology” are to GSI Technology, Inc., and references to the “annual meeting” are to the 2017 Annual Meeting of Stockholders. When we refer to the Company’s fiscal year, we mean the annual period ending on March 31. This proxy statement covers our fiscal year ended March 31, 2017 (“fiscal 2017”).

INFORMATION CONCERNING SOLICITATION AND VOTING

Why am I receiving these proxy materials?

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

What items of business will be voted on at the annual meeting?

Stockholders will vote on four proposals at the annual meeting:

- to elect seven persons to serve on our Board of Directors until the 2018 annual meeting (Proposal No. 1);
- to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2018 (Proposal No. 2);
- to vote on an advisory (non-binding) resolution to approve the fiscal 2017 compensation of our named executive officers (as defined in this proxy statement) (Proposal No. 3); and
- to vote on an advisory (non-binding) resolution regarding the frequency of future advisory votes on executive compensation (Proposal No. 4).

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

What is a proxy?

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

How does the Board recommend that I vote my shares?

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

- **FOR** all of the Board’s nominees for director, as listed and described under Proposal No. 1;

- **FOR** ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2018;
- **FOR** approval of the advisory (non-binding) resolution approving the fiscal 2017 compensation of our named Executive Officers; and
- **FOR** an advisory vote on executive compensation every year.

Who is entitled to vote at the annual meeting?

Only stockholders of record at the close of business on July 10, 2017 (the “Record Date”) are entitled to vote at the annual meeting. As of the Record Date, 21,010,078 shares of our common stock were outstanding.

How many shares must be present to hold the annual meeting?

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

How many votes do I have?

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

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

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

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

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

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

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

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

What happens if I do not provide specific voting instructions?

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

If you are the beneficial owner of shares held in street name and do not provide specific voting instructions to the organization that holds your shares, the organization may generally vote your shares at their discretion on "routine matters" but cannot vote on "non-routine" matters. "Non-routine" matters would include the election of directors (Proposal No. 1), the advisory (non-binding) vote on executive compensation (Proposal No. 3) and the advisory (non-binding) vote regarding the frequency of future advisory votes on executive compensation (Proposal No. 4), while "routine" matters would include the ratification of the appointment of our independent registered public accounting firm (Proposal No. 2).

How many votes are needed to elect directors?

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

How many votes are needed to determine the frequency of advisory votes on executive compensation?

The option of one year, two years or three years (Proposal No. 4) that receives the highest number of votes cast by stockholders will be the frequency for the advisory vote on executive compensation that we will consider to have been recommended by our stockholders.

How many votes are needed to approve the other proposals?

The appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm (Proposal No. 2) and approval of the advisory (non-binding) vote regarding fiscal 2017 executive officer compensation (Proposal No. 3) each require the affirmative vote of a majority of the shares represented and voting at the annual meeting.

How are broker non-votes and abstentions treated?

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

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

Votes withheld and broker non-votes will have no effect on the election of directors (Proposal No. 1) and the preferred frequency of future advisory votes on executive compensation (Proposal No. 4). Proposals Nos. 2 and 3 each requires the affirmative vote of a majority of shares represented and voting at the annual meeting. Abstentions and broker non-votes will reduce the

number of shares voting as well as the number of shares in favor of the proposal and, therefore, will have no impact on the results of voting.

Can I revoke my proxy or change my vote?

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

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

- by signing and returning a proxy card with a later date;
- by voting again via the Internet or by telephone prior to 11:59 p.m., Eastern Time, on Monday, August 28, 2017;
- by voting in person at the annual meeting; or
- by giving written notice of revocation to the Company's Corporate Secretary.

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

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

- by signing and returning an instruction form with a later date;
- by voting again via the Internet or by telephone (if such voting is allowed by your broker, bank or other nominee) prior to 11:59 p.m., Eastern Time, on Monday, August 28, 2017; or
- by voting in person at the annual meeting (although, as noted above, in order to vote at the annual meeting, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares).

How will the votes be counted?

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

How can I find out the results of the voting?

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

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

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

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

Who will bear the cost of the solicitation of proxies?

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

How can I attend the annual meeting?

You are entitled to attend the annual meeting only if you are a stockholder of record or a beneficial owner of shares of our common stock as of the close of business on the Record Date, or you hold a valid proxy for the annual meeting. Stockholders who plan to attend the meeting must present valid photo identification. If you hold your shares in street name, please also bring proof of your share ownership, such as a broker’s statement showing that you owned shares of the Company’s common stock on the Record Date. As noted above, a legal proxy is required if you hold your shares in a street name and you plan to vote in person at the annual meeting. Stockholders of record will be verified against an official list available at the annual meeting. The Company reserves the right to deny admittance to anyone who cannot adequately show proof of ownership as of the Record Date.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

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

The Board of Directors' nominees for election at the annual meeting are Jack A. Bradley, E. Thomas Hart, Haydn Hsieh, Ruey L. Lu, Lee-Lean Shu, Arthur O. Whipple and Robert Yau, all of whom currently serve on the Board of Directors. If elected, the seven nominees will serve as directors until our annual meeting of stockholders in 2018 and until their successors are duly elected and qualified. If any of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as we may designate.

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

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

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

The following table sets forth information regarding our current directors, each of whom is a nominee for election at the annual meeting, as of June 30, 2017:

<u>Nominee's Name</u>	<u>Principal Occupation</u>	<u>Age</u>	<u>Director Since</u>
Jack A. Bradley	Partner, David Powell Financial Services	68	2015
E. Thomas Hart	Non-executive Chairman of the Board of QuickLogic Corporation	75	2015
Haydn Hsieh	Chairman and Chief Executive Officer of Wistron NeWeb Corp.	62	2008
Ruey L. Lu	President of eMPIA Technology	61	2000
Lee-Lean Shu	President, Chief Executive Officer and Chairman of the Board of Directors of GSI Technology	62	1995
Arthur O. Whipple	North American President of ABBYY USA Software House, Inc.	69	2007
Robert Yau	Vice President, Engineering and Secretary of GSI Technology	64	1995

Business Experience of Director Nominees

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

Jack A. Bradley has served as a member of our Board of Directors since March 2015. Mr. Bradley has been a partner in David Powell Financial Services, an advisor to early stage companies, since September 2014. From February 2006 through March 2013, Mr. Bradley served as Chief Executive

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

E. Thomas Hart has served as a member of our Board of Directors since March 2015. Mr. Hart currently serves as non-executive Chairman of the Board of QuickLogic Corporation, a Nasdaq-listed fabless semiconductor company that designs, markets and supports semiconductor and software algorithm solutions primarily for manufacturers of mobile, consumer and enterprise communication products. Mr. Hart previously served as QuickLogic’s President and Chief Executive Officer from June 1994 to March 2009, its Chairman and Chief Executive Officer from March 2009 to January 2011 and its Executive Chairman from January 2011 to January 2014. Prior to joining QuickLogic, Mr. Hart held senior management positions in operations, engineering, sales and marketing with several semiconductor companies, including National Semiconductor Corporation and Motorola, Inc. Mr. Hart is a Board Leadership Fellow of the National Association of Corporate Directors. Mr. Hart is a retired Captain in the U.S. Navy, having served 37 years on active and reserve duty. Mr. Hart holds a B.S. degree in Electrical Engineering from the University of Washington. Mr. Hart’s many years of executive leadership in the semiconductor industry, and particularly, his experience as chief executive officer and chairman of a Nasdaq-listed fabless semiconductor company, enable him to make valuable contributions as the Board guides GSI Technology.

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

Ruey L. Lu has served as a member of our Board of Directors since October 2000. Mr. Lu is the President of eMPIA Technology Corp., a semiconductor solutions company, which he founded in January 2002. From March 1993 to December 2000, Mr. Lu served as President of ARK Logic, a storage device and software applications company, which he founded. From October 1989 to

February 1993, Mr. Lu served as Director of Engineering in the Imaging Product Division of Western Digital Corporation, an information storage company. Mr. Lu holds a B.S. degree in Electrical Engineering from Taipei Institute of Technology and an M.S. degree in Electrical Engineering from the University of Missouri. Mr. Lu's experience as President of eMPIA Technology and in executive roles at ARK Logic and Western Digital has provided him with broad industry and executive experience, including the co-design of hardware and software platforms like our new in-place associative computing products. Moreover, his management experience with a company headquartered in Taiwan provides him with relevant insight into that country, where GSI Technology has significant operations, as well as a valuable perspective on global business operations.

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

Arthur O. Whipple has served as a member of our Board of Directors since August 2007, and was appointed lead director in June 2010. Mr. Whipple has served as North American President of ABBYY USA Software House, Inc., a privately-held software developer, since August 2016. Mr. Whipple served as North American Chief Financial Officer of ABBYY USA, from April 2015 through August 2016, initially in a consulting capacity and since June 2015 as an employee. From August 2014 to January 2015, Mr. Whipple was Director of Finance of Avago Technologies, a provider of analog, digital, mixed signal and optoelectronics components and subsystems. Mr. Whipple served as Chief Financial Officer of PLX Technology, Inc., a semiconductor device manufacturer, from February 2007 until its acquisition by Avago in August 2014. From March 2005 to February 2007, Mr. Whipple was employed by Silicon Storage Technology, Inc., a storage semiconductor manufacturer, where his last position was Vice President of Finance and Chief Financial Officer. From April 1998 to March 2005, Mr. Whipple was employed by QuickLogic Corporation, where he served in several management capacities, including Vice President of Finance and Chief Financial Officer, Vice President and General Manager, Logic Products, and Vice President, Business Development. In 2004 and 2005, Mr. Whipple also served as a financial consultant to Technovus, Inc., a privately-held fabless semiconductor manufacturer. Mr. Whipple holds a B.S. degree in Electrical Engineering from the University of Washington and an M.B.A. from Santa Clara University. Mr. Whipple's experience as a chief financial officer and in other finance roles has provided him with broad experience in finance including accounting, financial reporting and compliance with U.S. federal securities laws. He also brings strong leadership skills and knowledge of engineering and operations, gained through his years of financial and operational management at companies engaged in various segments of the semiconductor industry.

Robert Yau co-founded our company in March 1995 and has served as our Vice President, Engineering and as a member of our Board of Directors since our inception. From December 1993 to February 1995, Mr. Yau was design manager for specialty memory devices at Sony Microelectronics Corporation. From 1990 to 1993, Mr. Yau was design manager at MOSEL/VITELIC, a semiconductor company. Mr. Yau holds a B.S. degree in Electrical Engineering from the University of Texas at Arlington and an M.S. degree in Electrical Engineering from the University of California, Berkeley. As a co-founder, our Vice President, Engineering, and an expert in SRAM technology, Mr. Yau is able to provide the Board with an understanding of our technology and our product development strategy as well as expert perspective on industry trends and opportunities.

CORPORATE GOVERNANCE

Director Independence

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

Board of Directors Leadership Structure

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

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

The Board of Directors’ Role in Risk Oversight

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

While the full Board of Directors is charged with ultimate oversight responsibility for risk management, committees of the Board also have responsibilities with respect to various aspects of risk management oversight. In particular, the Audit Committee plays a significant role in monitoring and assessing our financial and operational risks. The Audit Committee is also responsible for establishing and administering our code of conduct and reviewing transactions between the Company and any related parties. The Compensation Committee monitors and assesses risks associated with our compensation policies and consults with management and the Board concerning the development of incentives that encourage a level of risk-taking consistent with our overall strategy, as further discussed under the heading “Compensation Discussion and Analysis.” The Nominating and Governance Committee has oversight responsibility for corporate governance risks, including risks associated with

director independence. Our executive management meets regularly to discuss our strategy and the risks that we face. Senior officers regularly attend Board meetings where they are available to address questions or concerns raised by the Board regarding risk management related matters.

Executive Sessions

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

Committees and Meeting Attendance

The Board of Directors has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. The Board of Directors held 6 meetings during the fiscal year ended March 31, 2017. During fiscal 2017, no director attended fewer than 86% of the total number of meetings of the Board and all of the committees of the Board on which such director served that were held during that period.

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

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

<u>Committee Member</u>	<u>Audit</u>	<u>Compensation</u>	<u>Nominating and Governance</u>
Jack A. Bradley	X		Chair
E. Thomas Hart		Chair	X
Haydn Hsieh	X	X	
Ruey L. Lu		X	X
Arthur O. Whipple	Chair		X

Audit Committee

The members of the Audit Committee during fiscal 2017 were Messrs. Bradley, Hsieh and Whipple (Chair). The Audit Committee held ten meetings during fiscal 2017. Each of the members of the Audit Committee is independent for purposes of the Nasdaq Listing Rules as they apply to audit committee members. Messrs. Whipple and Bradley have been designated as “audit committee financial experts,” as the term is defined in applicable SEC rules. The Audit Committee operates under a charter that is available on our website at www.gsitechnology.com. The functions of the Audit Committee include oversight, review and evaluation of our financial statements, accounting and financial reporting processes, internal control functions and the audits of our financial statements. The Audit Committee is responsible for the appointment, compensation, retention and oversight of our independent registered public accounting firm. Additional information regarding the Audit Committee is set forth in the Report of the Audit Committee immediately following Proposal No. 2.

Compensation Committee

The members of the Compensation Committee during fiscal 2017 were Messrs. Hart (Chair), Hsieh and Lu. The Compensation Committee held seven meetings during fiscal 2017. Each of the members of the Compensation Committee is independent for purposes of the Nasdaq Listing Rules. The Compensation Committee operates under a charter that is available on our website at

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

Nominating and Governance Committee

The members of the Nominating and Governance Committee during fiscal 2017 were Messrs. Bradley (Chair), Hart, Lu and Whipple. The Nominating and Governance Committee held two meetings during fiscal 2017. Each of the members of the Nominating and Governance Committee is independent for purposes of the Nasdaq Listing Rules. The Nominating and Governance Committee operates under a charter that is available on our website at *www.gsitechnology.com*. The Nominating and Governance Committee identifies prospective Board candidates, recommends nominees for election to our Board of Directors, develops and recommends Board member selection criteria, considers committee member qualification, reviews and makes recommendations to the Board of Directors regarding Board and committee compensation, recommends corporate governance principles to the Board of Directors, and provides oversight in the evaluation of the Board of Directors and each committee.

Director Nominations

The Nominating and Governance Committee is responsible for, among other things, the selection and recommendation to the Board of Directors of nominees for election as directors. When considering the nomination of directors for election at an annual meeting, the Nominating and Governance Committee reviews the needs of the Board of Directors for various skills, background and experience. When reviewing potential nominees, including incumbents, the Nominating and Governance Committee considers the perceived needs of the Board of Directors, the candidate's relevant background, experience and skills and his or her expected contributions to the Board of Directors. The Nominating and Governance Committee also seeks appropriate input from the Chief Executive Officer and other executive officers in assessing the needs of the Board of Directors for relevant background, experience and skills of its members.

The Nominating and Governance Committee's goal is to assemble a Board of Directors that brings to GSI Technology a diversity of experience at policy-making levels in business and technology, and in areas that are relevant to GSI Technology's global activities. Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of our stockholders. They must have an inquisitive and objective outlook and mature judgment. They must also have experience in positions with a high degree of responsibility and be leaders in the companies or institutions with which they are, or have been, affiliated. Director candidates must have sufficient time available, in the judgment of the Nominating and Governance Committee, to perform all Board and committee responsibilities that will be expected of them. Members of the Board of Directors are expected to rigorously prepare for, attend and participate in all meetings of the Board of Directors and applicable committees. While we do not have a specific policy regarding diversity, when considering the nomination of directors, the Nominating and Governance Committee does consider the diversity of its directors and nominees in terms of knowledge, experience, background, skills, expertise and other demographic factors. Other than the foregoing, there are no specific minimum criteria for director nominees, although the Nominating and Governance Committee believes that it is preferable that a majority of the Board of Directors meet the definition of "independent director" set forth in Nasdaq and SEC rules. The Nominating and Governance Committee also believes it appropriate for one or more key members of the Company's management, including the Chief Executive Officer, to serve on the Board of Directors.

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

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

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

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

In addition, stockholders may make direct nominations of directors for election at an annual meeting, provided the advance notice requirements set forth in our bylaws have been met. Under our bylaws, written notice of such nomination, including certain information and representations specified in the bylaws, must be delivered to our principal executive offices, addressed to the Corporate Secretary, at least 120 days prior to the anniversary of the date definitive proxy materials were mailed to stockholders in connection with the prior year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been advanced by

more than 30 days from the date contemplated at the time of the previous year's proxy statement, such notice must be received not later than the close of business on the 10th day following the day on which the public announcement of the date of such meeting is first made.

Communications with Directors

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

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

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

Director Attendance at Annual Meetings

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

Code of Business Conduct and Ethics; Corporate Governance Guidelines

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

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee are or have been an officer or employee of GSI Technology. During fiscal 2017, no member of the Compensation Committee had any relationship with GSI Technology requiring disclosure under Item 404 of Regulation S-K. During fiscal 2017, none of GSI Technology's executive officers served on the compensation committee (or its equivalent) or board of directors of another entity any of whose executive officers served on GSI Technology's Compensation Committee or Board of Directors.

PROPOSAL NO. 2

**RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors of GSI Technology has selected PricewaterhouseCoopers LLP as its independent registered public accounting firm to audit the consolidated financial statements of GSI Technology for the fiscal year ending March 31, 2018. PricewaterhouseCoopers LLP has acted in such capacity since its initial appointment in fiscal 2000. A representative of PricewaterhouseCoopers LLP is expected to be present at the annual meeting, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions.

The following table sets forth the aggregate fees billed to GSI Technology for the fiscal years ended March 31, 2016 and March 31, 2017 by PricewaterhouseCoopers LLP:

	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>
Audit fees(1)	\$766,900	\$791,200
Audit-related fees(2)	74,000	—
Tax fees(3)	88,000	67,000
Other fees(4)	1,800	1,800
Total fees	<u>\$930,700</u>	<u>\$860,000</u>

- (1) Audit fees consist of fees for professional services rendered for the integrated audit of GSI Technology’s annual consolidated financial statements and internal control framework, the review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings.
- (2) Audit-related fees consist of fees for services rendered related to the acquisition audit, in connection with the acquisition of MikaMonu Group Ltd.
- (3) Tax fees consist of fees for consultation on various tax matters and compliance with federal and state income tax filing requirements.
- (4) Other fees consist of fees related to the license of specialized accounting research software.

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

Vote Required and Board of Directors Recommendation

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

The Board of Directors unanimously recommends a vote “FOR” the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2018.

REPORT OF THE AUDIT COMMITTEE

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

The Audit Committee currently consists of three directors. Each member of the Committee, in the judgment of the Board of Directors, is an "independent director" as defined in the Nasdaq Listing Rules. The Audit Committee acts pursuant to a written charter that has been adopted by the Board of Directors. A copy of this charter is available on our website at www.gsitechnology.com.

The Audit Committee has reviewed and discussed with management GSI Technology's audited financial statements and the results of management's assessment of the effectiveness of GSI Technology's internal control over financial reporting as of March 31, 2017. The Audit Committee has discussed and reviewed with our independent registered public accounting firm all matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has met with PricewaterhouseCoopers LLP, with and without management present, to discuss the overall scope of PricewaterhouseCoopers' audit, the results of its examinations, and the overall quality of GSI Technology's financial reporting and internal control over financial reporting.

The Audit Committee has received from our independent registered public accounting firm a formal written statement describing all relationships between the independent registered public accounting firm and GSI Technology that might bear on the independent registered public accounting firm's independence consistent with Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, discussed with the independent registered public accounting firm any relationships that may impact their objectivity and independence, and satisfied itself as to the independent registered public accounting firm's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that GSI Technology's audited financial statements be included in GSI Technology's Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

THE AUDIT COMMITTEE

Arthur O. Whipple (Chair)
Jack A. Bradley
Haydn Hsieh

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

PROPOSAL NO. 3
ADVISORY (NON-BINDING) VOTE
ON EXECUTIVE COMPENSATION (SAY-ON-PAY)

Background

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 and the related rules of the SEC, we provide our stockholders the opportunity to cast an advisory (non-binding) vote on executive compensation, commonly referred to as a “Say-on-Pay” vote. At our 2011 Annual Meeting of Stockholders, our stockholders voted in favor of holding future “Say-on-Pay” votes on an annual basis. The Board subsequently determined that such advisory votes shall be held annually at the annual meeting of stockholders. The vote is advisory, which means that it is not binding on the Board of Directors, the Compensation Committee or GSI Technology in any way. However, the Compensation Committee will review the outcome of the vote and take it into consideration when considering future executive compensation policies and decisions.

At our 2012, 2013, 2014, 2015 and 2016 annual meetings, 99%, 99%, 78%, 84% and 91%, respectively, of the votes cast were voted in favor of the Company’s executive compensation program for the previous fiscal year. Partially as a result of this positive stockholder feedback, our Compensation Committee has adopted compensation packages having similar basic structures in subsequent years.

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

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

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

“RESOLVED, that the stockholders of GSI Technology, Inc. approve, on an advisory basis, the compensation of the Company’s named executive officers for the fiscal year ended March 31, 2017, as disclosed pursuant to Item 402 of Regulation S-K in the Company’s definitive proxy statement for the 2017 Annual Meeting of Stockholders.”

Vote Required and Board of Directors Recommendation

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

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

PROPOSAL NO. 4

ADVISORY (NON-BINDING) VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

In connection with Proposal No. 3 above seeking advisory approval of our executive compensation program, Section 14A of the Securities Exchange Act of 1934 and the related rules of the SEC also requires that we conduct a separate advisory (non-binding) stockholder vote to advise on whether future Say-on-Pay votes should occur every one, two or three years. You have the option to vote for any one of the three options, or to abstain on the matter.

At our 2011 annual meeting, our stockholders voted to hold an advisory vote on our executive compensation program on an annual basis. Our Board subsequently determined that such advisory votes shall be held annually at the annual meeting of stockholders. As a result, the Company has conducted a Say-on-Pay vote each year. Our Board and Compensation Committee believe that our stockholders continue to prefer to have an opportunity to express their views on the Company's executive compensation program through an annual Say-on-Pay vote, and that the Company benefits from receiving feedback on stockholders' views of the compensation of our named executive officers on an annual basis.

In addition, the Compensation Committee and the Board believe annual advisory votes will continue to allow the Board to obtain information on stockholders' views of the compensation of our named executive officers on a consistent basis, and will continue provide our Committee and Board with frequent input from stockholders on our compensation program. By contrast, less frequent votes could allow an unpopular pay practice to continue too long without timely feedback.

For the reasons stated above, the Compensation Committee and Board believe that holding an advisory vote on executive compensation every year is a good corporate governance practice and the most appropriate policy for our stockholders and the Company at this time.

You may cast your vote on your preferred frequency of future Say-on-Pay votes by choosing the option of one year, two years or three years, or abstain from voting when you vote in response to the resolution set forth below.

RESOLVED, that the stockholders of GSI Technology, Inc. determine, on an advisory basis, that the frequency with which the stockholders of the Company shall have an advisory vote on executive compensation, as disclosed pursuant to the compensation disclosure rules of the SEC, shall be:

Choice 1—every year;

Choice 2—every two years;

Choice 3—every three years; or

Choice 4—abstain from voting.

Vote Required and Board of Directors Recommendation

The option of every year, two years or three years that receives the highest number of votes cast by stockholders will be the frequency for the advisory vote on the compensation of our named executive officers that we will consider to have been recommended by our stockholders. However, because this vote is advisory and is not binding on our Board of Directors, the Board may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option recommended by our stockholders.

Abstentions and broker non-votes will not be counted and, accordingly, will have no effect on the outcome of the vote on this Proposal No. 4.

The Board of Directors unanimously recommends that you vote for the option of every year as the frequency with which stockholders are provided an advisory vote on executive compensation, as disclosed pursuant to Item 402 of Regulation S-K of the SEC rules.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis explains our philosophy and objectives with respect to the compensation of our executive officers and our compensation-setting process and provides more detailed information regarding the compensation of our Chief Executive Officer, our Chief Financial Officer, and our other three most highly-compensated executive officers, determined as of March 31, 2017. We refer to these individuals as our “named executive officers.” This discussion focuses on the information contained in the tables and related footnotes and narrative included below, primarily for our 2017 fiscal year.

Philosophy and Objectives

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

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

Compensation-Setting Process

Generally, the Compensation Committee reviews the compensation of our executive officers in the early part of each fiscal year and takes action at that time to set base salaries and variable compensation for the current year. In setting our executive officers’ total compensation, the Compensation Committee considers individual and company performance, as well as compensation surveys and other market information regarding compensation paid by comparable companies, including our industry peers. Historically, the Compensation Committee considered the grant of equity awards to our executive officers on an individual basis at the time of the annual anniversary of their employment with the Company, consistent with its standard practice for non-officer employees. In fiscal 2014, the Compensation Committee altered this practice and began granting equity awards to executive and non-executive officers at the same time, once a year.

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

experience level and contributions of the individual executive officer, the role and responsibilities of the executive officer and market factors.

The Compensation Committee has the authority to engage its own consultants and advisors to assist it in carrying out its responsibilities. Prior to fiscal 2014, the Compensation Committee had not retained compensation consultants in connection with its annual review of executive officer compensation. However, in February 2013, the Compensation Committee determined that it would periodically retain such consultants and, in accordance with such policy, engaged the services of Compensia, Inc. (“Compensia”), an independent national compensation consulting firm, to assist it in connection with its annual review and determination of executive officer compensation for fiscal 2014 and 2016. The Compensation Committee assessed the independence of Compensia pursuant to applicable SEC rules and concluded that no conflicts of interest existed that would affect Compensia’s independence in providing services and advice to the Compensation Committee. The Compensation Committee did not retain the services of compensation consultants in connection with its annual review and determination of executive officer compensation for fiscal 2015 or 2017.

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

Components of Compensation

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

Fiscal 2017 Base Salary

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

During the first quarter of fiscal 2017, the Compensation Committee conducted its annual review of executive compensation.

For purposes of its fiscal 2017 review, the Compensation Committee, with the assistance of our Chief Financial Officer, compiled data on the same group of peer companies identified with the assistance of Compensia in connection with the fiscal 2016 review, with the exception of one company that was no longer a public reporting company (the “Fiscal 2017 Peer Companies”). The Fiscal 2017

Peer Companies include industry peers and similarly-sized companies in our broader industry group. The Fiscal 2017 Peer Companies were as follows:

Amtech Systems	Exar Corporation	Pericom Semiconductor Corp.
ANADIGICS, Inc.	Inphi Corporation	Pixelworks, Inc.
AXT, Inc.	Intermolecular, Inc.	QuickLogic Corporation
CEVA, Inc.	Mattson Technology	Rubicon Technology
DSP Group, Inc.	MaxLinear, Inc.	Vitesse Semiconductor Corporation

In its annual review of executive compensation for fiscal 2017, the Compensation Committee took into account its general compensation philosophy and objectives, as described above, and various other considerations, including:

- the Company’s financial performance during fiscal 2016, including declines in net revenues from the prior year and continuing net losses due primarily to a particularly challenging market for its products, in part attributable to market uncertainty due to pending patent litigation, as well as significant legal expenses related to the patent litigation, related antitrust litigation and unrelated commercial and trade secret litigation;
- management’s recommendation that, in light of the Company’s fiscal 2016 financial performance, increases in officers’ base salaries should be limited to the percentage increases recently granted to the Company’s non-officer employees, which averaged approximately 3% over fiscal 2016 levels;
- the then-current outlook for the Company’s fiscal 2017 financial performance;
- available compensation data for the Fiscal 2017 Peer Companies and other analyses prepared by our Chief Financial Officer, which included updating data from Compensia’s fiscal 2016 report; and
- specific contributions of individual officers.

The Committee also noted that, by positive votes at the five previous annual meetings of stockholders, our stockholders had approved the compensation of our named executive officers. Partially in recognition of this positive stockholder feedback, the Committee adopted a compensation package for fiscal 2017 having the same basic structure as the compensation packages that had been adopted for previous years.

On the basis of its review, on May 4, 2016, the Compensation Committee concluded that executive officer base salaries should be increased at the same rate as the salaries of the Company’s non-officer employees and approved increases in the base salaries of our executive officers, effective April 1, 2016, by 3% over fiscal 2016 base salaries. The fiscal 2017 base salaries of the named executive officers were as follows:

<u>Name</u>	<u>Title</u>	<u>Fiscal 2017 Base Salary</u>	<u>Percentage Increase over Fiscal 2016 Base Salary</u>
Lee-Lean Shu	President and Chief Executive Officer	\$395,261	3%
Douglas M. Schirle	Chief Financial Officer	\$280,576	3%
Didier Lasserre	Vice President, Sales	\$295,327	3%
Robert Yau	Vice President, Engineering	\$266,792	3%
Ping Wu	Vice President, U.S. Operations	\$251,711	3%

2017 Variable Compensation Plan

Under our compensation policy, a significant component of each executive officer's potential annual compensation takes the form of a performance-based cash bonus. On June 28, 2016, the Compensation Committee adopted the 2017 Variable Compensation Plan, which was similar in structure to previous variable compensation plans for the Company's executive officers. The 2017 Variable Compensation Plan was designed to encourage performance and retention of eligible employees by providing cash bonus awards based on our financial performance and our success in completing specified milestones in the development of our new in-place associative computing products during the fiscal year ended March 31, 2017. Each of our executive officers was eligible to participate in the 2017 Plan. Certain non-executive officers were also eligible to participate.

Under the 2017 Variable Compensation Plan, each participant had a designated target bonus, which was set at the same level as their target bonus under the 2016 Variable Compensation Plan. The target bonus for Lee-Lean Shu, our President, Chief Executive Officer and Chairman, was \$250,000, and the target bonus for each of our other executive officers was \$125,000. If the target financial goals were exceeded, actual bonus awards payable to participants in the 2017 Variable Compensation Plan could have been up to two times their target bonuses. There was no threshold or minimum amount payable under the 2017 Variable Compensation Plan. The Compensation Committee considered the critical role of Mr. Shu, our President and Chief Executive Officer, in our long-term success when determining his target bonus amount. The use of the same target bonus amount for each of our other named executive officers reflected the Compensation Committee's desire to encourage a team approach by treating our executive officers equally with respect to bonus opportunities. The actual bonus awards were computed on the basis of our fiscal 2017 operating results and the completion of specified milestones in the development of our new in-place associative computing products, with 25% of each award based on the achievement of targeted net revenues, 35% based on the achievement of targeted operating income, as adjusted to exclude certain specified categories of expenses, and 40% based on the completion of the development milestones. The percentage allocation between these three targets reflected a balance between the Compensation Committee's desire to make the target bonus achievable given the comparatively greater ability of our executive officers to increase revenues, while still focusing the attention of our executive officers on our profitability, which it believes to be the more important factor in improving stockholder value, and the importance of completing our new in-place associative computing products on time or ahead of schedule.

For fiscal 2017, our net revenues were 91.8% of the 2017 Variable Compensation Plan target, our adjusted operating income was 125.5% of the 2017 Variable Compensation Plan target and the development milestones achieved were 150% of the 2017 Variable Compensation Plan target. The shortfall in net revenues reflected continued weakness in the global networking and telecommunications markets, particularly in Asia, and, to some extent, the result of design-in losses that we suffered during the pendency of our patent litigation with Cypress Semiconductor and a related ITC proceeding that have continued to adversely affect our revenues throughout the life of the products that were subject to the litigation. Adjusted operating income reflected substantial improvement in gross margin relative to the 2017 Variable Compensation Plan target. Based on these operating results and the achievement of development milestones, bonuses earned under the 2017 Variable Compensation Plan were 79.5% of the net revenue target bonus, 185.0% of the adjusted operating income target bonus and 150% of the development milestones target. Original target bonuses for each of the named executive officers under

the 2017 Variable Compensation Plan and bonuses actually earned under the plan for their services during fiscal were as follows:

<u>Name</u>	<u>Fiscal 2017 Target Bonus</u>	<u>Fiscal 2017 Bonus Earned</u>
Lee-Lean Shu	\$250,000	\$361,521
Douglas M. Schirle	\$125,000	\$180,761
Didier Lasserre	\$125,000	\$180,761
Robert Yau	\$125,000	\$180,761
Ping Wu	\$125,000	\$180,761

Bonus awards paid under the 2017 Plan are subject to vesting based on the participant's continued employment with the Company, with 60% becoming vested and payable on the last business day in April 2017 and 20% becoming vested and payable on the last business day in April of each of the succeeding two years.

Total Fiscal 2017 Cash Compensation

The total cash compensation of each of our named executive officers for fiscal 2017 was:

<u>Name</u>	<u>Principal Position</u>	<u>Fiscal 2017 Base Salary</u>	<u>Fiscal 2017 Total Cash Compensation Earned</u>
Lee-Lean Shu	President and Chief Executive Officer	\$395,261	\$756,782(1)
Douglas M. Schirle	Chief Financial Officer	\$280,576	\$461,337(2)
Didier Lasserre	Vice President, Sales	\$295,327	\$481,488(3)
Robert Yau	Vice President, Engineering	\$266,792	\$447,553(2)
Ping Wu	Vice President, U.S. Operations	\$251,711	\$432,472(2)

- (1) Includes incentive compensation of \$361,521 earned under the 2017 Variable Compensation Plan.
- (2) Includes incentive compensation of \$180,761 earned under the 2017 Variable Compensation Plan.
- (3) Includes incentive compensation of \$180,761 earned under the 2017 Variable Compensation Plan and a car allowance of \$5,400.

Long-Term Incentive Compensation

We utilize stock option awards as a primary component of compensation for our executive officers, with the objective of strengthening the mutuality of interests between the executive officers and our stockholders. These grants are designed to provide each executive with a significant incentive to manage from the perspective of an owner with an equity stake in our company. All stock options granted to our employees, including named executive officers, and to our directors have exercise prices equal to the fair market value of our common stock on the grant date. Our policies and procedures for the grant of stock-based awards provide that all options and other stock-based awards are generally to be granted by the Compensation Committee and, except in special circumstances, all grants are to be made at regular quarterly meetings of the Compensation Committee. Accordingly, option grants to new employees hired since the previous quarterly meeting and annual grants to continuing employees with anniversary dates subsequent to the previous meeting are made each quarter. The effective date of each quarterly grant is the later of the second trading day following the public announcement of our financial results for the preceding quarter or the date of the meeting at which the grant is approved.

Historically, the Compensation Committee considered the grant of equity awards to our executive officers on an individual basis at the time of the annual anniversary of their employment with the Company, consistent with its practice for non-officer employees. In July 2013, the Compensation Committee revised this practice and adopted a policy of granting equity awards to executive and non-executive officers at the same time, once a year. Initial grants under this new policy, made in July 2013, were adjusted to reflect the differences in timing of the most recent previous grants to the respective officers under the former policy. During fiscal 2017, the Compensation Committee approved grants to our named executive officers of options to purchase the following number of shares of our common stock:

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

Unlike options granted to our non-officer employees, which vest in four annual installments, options granted to our executive and non-executive officers vest in their entirety four years after the anniversary date of the officer’s commencement of employment that is closest to the date of grant, subject to the officer’s continued service. Each of these option grants provides a return to the officer only if he remains employed by us during the respective vesting period, and then only if the market price of the shares appreciates over the option term. The Compensation Committee believes the four-year vesting schedule deters risk taking and further focuses management on building long-term stockholder value. The value of the shares subject to the fiscal 2017 option grants to executive officers are reflected in the “Summary Compensation Table” below, and further information about these grants is contained in the “Fiscal 2017 Grants of Plan-Based Awards” table below.

Executive Retention and Severance Plan

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

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

Inter-Relationship of Components of Compensation Packages

The Compensation Committee has adopted a policy that the aggregate compensation of our executive officers (composed of base compensation, variable cash compensation and equity awards) should approximate the median aggregate compensation paid by our peer companies to officers performing comparable functions. Except for this policy, the various components of our executive officers’ compensation generally are not inter-related. Adjustments to our executive officers’ base compensation are primarily based on our financial performance, our annual company-wide compensation survey and review of peer company compensation levels. As we have relied on long-term equity incentives for a portion of our total compensation package, option grants for our executive

officers are generally considered each year. If the value of options that are granted in one year is reduced due to a reduction in the value of the underlying common stock, the size of the option grants for the next year are not affected. Similarly, if the value of previously granted options increases significantly, the amount of compensation to be awarded for the next year is not affected. While the Compensation Committee has discretion to make exceptions to existing compensation arrangements, it has not approved any exceptions to such arrangements with regard to any named executive officers.

Other Benefits

Our executive officers are eligible to participate in all of our employee benefit plans, such as our medical, dental, vision, group life, disability, and accidental death and dismemberment insurance and our simplified employee pension plan, in each case on the same basis as our other employees. Aside from a \$5,400 car allowance provided to Mr. Lasserre, there were no special benefits or perquisites provided to any named executive officer in fiscal 2017.

Accounting for Executive Compensation

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

Tax Considerations

We intend to consider the impact of Section 162(m) of the Internal Revenue Code in determining the mix of elements of future executive compensation. This section limits the deductibility of non-performance based compensation paid to each of our named executive officers (other than our Chief Financial Officer) to \$1 million annually. The stock options granted to our executive officers are intended to be treated under current federal tax law as performance-based compensation exempt from the limitation on deductibility. Salaries and bonuses do not qualify as performance-based compensation for purposes of Section 162(m).

Other Compensation-Related Policies

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

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

Compensation Committee Report

We, the Compensation Committee of the Board of Directors of GSI Technology, Inc., have reviewed the Compensation Discussion and Analysis contained in this proxy statement and discussed it with management. Based on such review and discussions, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in GSI Technology, Inc.'s Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

THE COMPENSATION COMMITTEE

E. Thomas Hart (Chair)
Haydn Hsieh
Ruey L. Lu

Summary Compensation Table

The following table sets forth information concerning the compensation earned during the fiscal years ended March 31, 2017, 2016 and 2015 by our Chief Executive Officer, our Chief Financial Officer, and our three other most highly-compensated executive officers, determined as of March 31, 2017:

Name and Principal Position	Year	Salary (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Lee-Lean Shu	2017	395,261	157,340	361,521(2)	—	914,122
President and Chief	2016	383,749	172,450	217,010(3)	—	773,209
Executive Officer	2015	372,571	214,060	389,510(4)	—	976,141
Douglas M. Schirle	2017	280,576	62,936	180,761(5)	—	524,273
Chief Financial Officer	2016	272,404	68,980	108,505(6)	—	449,889
	2015	264,470	85,624	194,755(7)	—	544,849
Didier Lasserre	2017	295,327	47,202	180,761(5)	5,400(8)	528,690
Vice President, Sales	2016	286,726	51,735	108,505(6)	5,400(8)	452,366
	2015	278,374	64,218	194,755(7)	5,400(8)	542,747
Robert Yau	2017	266,792	62,936	180,761(5)	—	510,489
Vice President, Engineering	2016	259,021	68,980	108,505(6)	—	436,506
	2015	251,477	85,624	194,755(7)	—	531,856
Ping Wu	2017	251,711	47,202	180,761(5)	—	479,674
Vice President, US Operations . . .	2016	244,380	51,735	108,505(6)	—	404,620
	2015	237,362	64,218	194,755(7)	—	496,335

- (1) As required by SEC rules, amounts shown in the column entitled “Option Awards” present the aggregate grant date fair value of option grants made each year computed in accordance with authoritative guidance. These amounts do not reflect whether the recipient has actually realized or will realize a financial benefit from the option award. The assumptions used with respect to the valuation of option grants are set forth in Note 9 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017. Under generally accepted accounting principles, compensation expense with respect to option awards granted to our employees and directors is generally recognized over the vesting periods applicable to the awards.
- (2) Earned under the 2017 Variable Compensation Plan, of which \$216,913 was paid in May 2017 and \$72,304 will be vested and payable on the last day of April 2018 and April 2019.
- (3) Earned under the 2016 Variable Compensation Plan, of which \$130,206 was paid in June 2016, \$43,402 was paid in May 2017 and \$43,402 will be vested and payable on the last day of April 2018.
- (4) Earned under the 2015 Variable Compensation Plan, of which \$233,706 was paid in June 2015, \$77,902 was paid in May 2016 and \$77,902 was paid in May 2017.
- (5) Earned under the 2017 Variable Compensation Plan, of which \$108,457 was paid in May 2017 and \$36,152 will be vested and payable on the last day of April 2018 and April 2019.
- (6) Earned under the 2016 Variable Compensation Plan, of which \$65,103 was paid in June 2016, \$21,701 was paid in May 2017 and \$21,701 will be vested and payable on the last day of April 2018.

- (7) Earned under the 2015 Variable Compensation Plan, of which \$116,853 was paid in June 2015, \$38,951 was paid in May 2016 and \$38,951 was paid in May 2017.
- (8) Represents Mr. Lasserre’s car allowance of \$5,400.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to plan-based awards granted during the fiscal year ended March 31, 2017 to our named executive officers:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$)	Grant Date Fair Value of Option Awards \$(2)
		Threshold (\$)	Target (\$)	Maximum (\$)			
Lee-Lean Shu	8/01/16	—	250,000	500,000	100,000(3)	4.99	157,340
Douglas M. Schirle	8/01/16	—	125,000	250,000	40,000(4)	4.99	62,936
Didier Lasserre	8/01/16	—	125,000	250,000	30,000(5)	4.99	47,202
Robert Yau	8/01/16	—	125,000	250,000	40,000(6)	4.99	62,936
Ping Wu	8/01/16	—	125,000	250,000	30,000(7)	4.99	47,202

- (1) Represents the range of potential cash bonuses payable under the 2017 Variable Compensation Plan, as more fully described above under “Compensation Discussion and Analysis—2017 Variable Compensation Plan.” There was no threshold or minimum amount payable under the Plan.
- (2) Reflects the grant date fair value of each equity award in accordance with authoritative guidance. The assumptions used in the calculation of this amount are included in Note 9 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended March 31, 2017.
- (3) Option granted pursuant to the 2007 Equity Incentive Plan. This option vests 100% on April 13, 2020.
- (4) Option granted pursuant to the 2007 Equity Incentive Plan. This option vests 100% on June 3, 2020.
- (5) Option granted pursuant to the 2007 Equity Incentive Plan. This option vests 100% on May 3, 2020.
- (6) Option granted pursuant to the 2007 Equity Incentive Plan. This option vests 100% on April 13, 2020.
- (7) Option granted pursuant to the 2007 Equity Incentive Plan. This option vests 100% on June 5, 2020.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information with respect to the value of all unexercised options previously awarded to our named executive officers as of March 31, 2017:

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options (#) Exercisable</u>	<u>Number of Securities Underlying Unexercised Options (#) Unexercisable</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>	
Lee-Lean Shu	61,875	—	4.20	5/29/17	
	100,000	—	4.00	6/9/18	
	100,000	—	3.43	6/4/19	
	100,000	—	6.00	5/10/20	
	100,000	—	6.54	5/9/21	
	100,000	—	4.17	5/7/22	
	100,000	—	5.76	5/6/23	
	—	25,000(1)	6.86	7/29/23	
	—	100,000(2)	5.23	8/11/24	
	—	100,000(3)	4.98	8/3/25	
	—	100,000(4)	4.99	8/1/26	
	Douglas Schirle	20,625	—	3.76	8/6/17
20,625		—	3.75	8/4/18	
20,625		—	4.00	8/3/19	
40,000		—	7.00	8/2/20	
40,000		—	6.28	8/1/21	
40,000		—	4.81	7/30/22	
—		40,000(5)	6.86	7/29/23	
—		40,000(6)	5.23	8/11/24	
—		40,000(7)	4.98	8/3/25	
—		40,000(8)	4.99	8/1/26	
Didier Lasserre		20,625	—	2.83	2/4/18
		20,625	—	2.43	2/9/19
	20,625	—	4.43	2/8/20	
	30,000	—	9.20	1/31/21	
	30,000	—	4.92	1/30/22	
	30,000	—	6.45	2/4/23	
	—	15,000(9)	6.86	7/29/23	
	—	30,000(10)	5.23	8/11/24	
	—	30,000(11)	4.98	8/3/25	
	—	30,000(12)	4.99	8/1/26	
	Robert Yau	20,625	—	4.20	5/29/17
		20,625	—	4.30	5/12/18
20,625		—	3.38	5/11/19	
40,000		—	6.00	5/10/20	
40,000		—	6.54	5/9/21	
40,000		—	4.17	5/7/22	
40,000		—	5.76	5/6/23	
—		10,000(1)	6.86	7/29/23	
—		40,000(2)	5.23	8/11/24	
—		40,000(3)	4.98	8/3/25	
—		40,000(4)	4.99	8/1/26	

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options (#) Exercisable</u>	<u>Number of Securities Underlying Unexercised Options (#) Unexercisable</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>
Ping Wu	20,625	—	3.37	11/3/18
	20,625	—	3.43	11/2/19
	30,000	—	6.82	11/1/20
	30,000	—	4.90	10/31/21
	30,000	—	5.59	10/31/22
	—	22,500(13)	6.86	7/29/23
	—	30,000(14)	5.23	8/11/24
	—	30,000(15)	4.98	8/3/25
	—	30,000(16)	4.99	8/1/26

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- (1) Option vested 100% on April 13, 2017.
 - (2) Option vests 100% on April 13, 2018.
 - (3) Option vests 100% on April 13, 2019.
 - (4) Option vests 100% on April 13, 2020.
 - (5) Option vested 100% on June 3, 2017.
 - (6) Option vests 100% on June 3, 2018.
 - (7) Option vests 100% on June 3, 2019.
 - (8) Option vests 100% on June 3, 2020.
 - (9) Option vested 100% on May 3, 2017.
 - (10) Option vests 100% on May 3, 2018.
 - (11) Option vests 100% on May 3, 2019.
 - (12) Option vests 100% on May 3, 2020.
 - (13) Option vested 100% on June 5, 2017.
 - (14) Option vests 100% on June 5, 2018.
 - (15) Option vests 100% on June 5, 2019.
 - (16) Option vests 100% on June 5, 2020.

Option Exercises and Stock Vested During Last Fiscal Year

The following table sets forth information regarding options exercised by our named executive officers during the fiscal year ended March 31, 2017.

Fiscal 2017 Option Exercises

<u>Name</u>	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise \$(1)</u>
Ping Wu	20,625	92,335

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- (1) The value realized on exercise represents the difference between the exercise price and the sale price of the shares on the date of exercise.

We have not made any direct grants of stock awards to any of our employees. Accordingly, there was no vesting of restricted stock held by any named executive officers during the fiscal year ended March 31, 2017.

Potential Payments Upon Change of Control

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

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

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

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

No severance or change of control payments were made to any of our executive officers in fiscal 2017.

The following table summarizes amounts that would have been payable to our named executive officers upon a termination of their employment qualifying for benefits under the Retention Plan, assuming that such termination had occurred on March 31, 2017:

Name	Cash Severance Payment		Continued Health Benefits(1)	Acceleration of Stock Options(2)	Total
	Based on Salary	Based on Bonus			
Lee-Lean Shu	\$757,584	\$706,987	\$34,729	\$1,136,000	\$2,635,300
Douglas M. Schirle	420,864	263,114	39,880	509,600	1,233,458
Didier Lasserre	492,212	263,114	42,504	354,600	1,152,430
Robert Yau	511,351	263,114	34,729	454,400	1,263,594
Ping Wu	377,567	263,114	38,254	368,400	1,047,335

- (1) Represents the aggregate premium payments required to provide continued health insurance coverage under COBRA, based on the officer's health insurance coverage in effect as of March 31, 2017.
- (2) The value of the acceleration of stock options is calculated by multiplying (x) the number of shares subject to acceleration by (y) the difference between the fair market value of a share of our common stock on March 31, 2017 (\$8.70) and the per share exercise price of the unvested shares subject to acceleration.

Compensation of Directors

Under our policy for the compensation of non-employee directors that was in effect during fiscal 2016 (and had been in effect since 2007), each non-employee director was entitled to receive an annual retainer of \$15,000. In addition, in-person attendance at Board of Directors meetings or committee meetings was compensated at \$1,500 per meeting. Attendance by telephone at such meetings was compensated at \$1,000 per meeting. In January 2016, upon the recommendation of the Nominating and Governance Committee, the Board adopted a revised policy for the compensation of non-employee directors for their service on the Board and its standing committees which became effective on April 1, 2016. Under the new policy, non-employee directors are entitled to receive annual retainers as follows:

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

Under the new policy, the previous practice of paying separate per-meeting fees for attendance at Board and committee meetings was discontinued.

Prior to fiscal 2017, each new non-employee director was granted an initial option to purchase 10,000 shares of our common stock upon his or her initial election or appointment to our Board of Directors, which option was exercisable in three equal annual installments beginning on the first

anniversary of the date of grant. Under the Board's prior policy, at the first regular quarterly meeting of the Board of Directors following each annual meeting of stockholders, each non-employee director who remained in office immediately following such annual meeting of stockholders was granted an additional option to purchase 2,000 shares of common stock, which became fully vested and exercisable on August 15 of the following year, subject to the non-employee director's continuous service on our Board of Directors. In addition, each non-employee director was granted an option to purchase (i) an additional 2,000 shares in any fiscal year in which the non-employee director was serving as the chairman or lead director of the Board, (ii) an additional 1,000 shares in any fiscal year for each committee of the Board on which the non-employee director was then serving, other than as chairman of the committee, and (iii) an additional 2,000 shares in any fiscal year for each committee of the Board on which the non-employee director was then serving as chairman of the committee. Upon stockholder approval of the 2016 Equity Incentive Plan in August 2016, the Board revised the policy for the annual grant of options so that each non-employee director will receive an option to purchase the number of shares having a fair market value equal to the aggregate amount of the annual cash retainer payable to such director for service on the Board and its committees.

The table below summarizes the compensation we paid to our non-employee directors for the fiscal year ended March 31, 2017.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Option Awards (\$)(1)(2)(3)</u>	<u>Total (\$)</u>
Jack A. Bradley	55,000	17,559	72,559
E. Thomas Hart	53,000	16,920	69,920
Haydn Hsieh	52,500	16,762	69,262
Ruey L. Lu	48,000	15,324	63,324
Arthur O. Whipple	83,000	26,499	109,499

- (1) Valuation based on the dollar amount recognized during fiscal 2017 for financial statement reporting purposes pursuant to authoritative guidance, giving effect to service-based vesting conditions, but disregarding the estimate of forfeitures related to such vesting conditions. These amounts do not reflect whether the recipient has actually realized or will realize a financial benefit from the option award. The assumptions used with respect to the valuation of option grants are set forth in Note 9 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.
- (2) On October 31, 2016, Mr. Bradley, Mr. Hart, Mr. Hsieh, Mr. Lu and Mr. Whipple were granted options to purchase 10,416, 10,037, 9,943, 9,090 and 15,719 shares, respectively, that will be fully vested on August 15, 2017. The grant date fair value of each of these options was \$17,559, \$16,920, \$16,762, \$15,324 and \$26,499, respectively.
- (3) As of March 31, 2017, each non-employee director had the following number of shares underlying outstanding options: Mr. Bradley: 25,416; Mr. Hart: 25,037; Mr. Hsieh: 64,943; Mr. Lu: 59,090; and Mr. Whipple: 86,719.

Equity Compensation Plan Information

We currently maintain three compensation plans that provide for the issuance of our common stock to officers and other employees, directors and consultants. These consist of the 2007 Equity Incentive Plan, the 2016 Equity Incentive Plan (the "2016 Plan") and the 2007 Employee Stock Purchase Plan (the "Purchase Plan"), each of which has been approved by stockholders. The following

table sets forth information regarding outstanding options and shares reserved for future issuance under the foregoing plans as of March 31, 2017:

<u>Plan Category</u>	<u>Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)</u>
Equity compensation plans approved by stockholders	7,622,830	\$5.09	7,256,888(1)(2)

- (1) Includes 1,792,703 shares available for future issuance under the Purchase Plan.
- (2) A total of 6,000,000 shares of common stock have been authorized and reserved for issuance under the 2016 Plan, of which 5,464,185 were available for grant as of March 31, 2017. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2016 Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the 2016 Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations. Only the net number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2016 Plan.

RELATED PERSON TRANSACTIONS

Procedures for Approval of Related Person Transactions

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

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

Other Transactions

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

PRINCIPAL STOCKHOLDERS AND STOCK OWNERSHIP BY MANAGEMENT

The following table sets forth, as of June 30, 2017 certain information with respect to the beneficial ownership of GSI Technology's common stock by (i) each stockholder known by GSI Technology to be the beneficial owner of more than 5% of GSI Technology's common stock, (ii) each director of GSI Technology, (iii) each executive officer named in the Summary Compensation Table, and (iv) all directors and executive officers of GSI Technology as a group:

<u>Beneficial Owner(1)</u>	<u>Number of Shares Beneficially Owned(2)</u>	<u>Percentage of Shares Beneficially Owned(3)</u>
Principal Stockholders:		
Jing Rong Tang(4) c/o HolyStone Enterprises Co., Ltd. 1FL No. 62, Sec 2 Huang Shan Road Taipei, Taiwan, R.O.C	1,701,054	8.2%
Ariel Investments, LLC(5) 200 E. Randolph Street, Suite 2900 Chicago, IL 60601	1,466,426	7.0
Ching Ho Cheng(6) 4F, No. 130, Sec. 3, Nanjing E. Road Taipei, Taiwan, R.O.C.	1,126,521	5.4
Directors and Named Executive Officers:		
Lee-Lean Shu(7)	2,570,551	11.8
Jack A. Bradley(8)	25,083	*
E. Thomas Hart(9)	21,704	*
Haydn Hsieh(10)	64,943	*
Ruey L. Lu(11)	59,090	*
Arthur O. Whipple(12)	96,719	*
Robert Yau(13)	1,245,772	5.9
Didier Lasserre(14)	419,111	2.0
Douglas M. Schirle(15)	231,250	1.1
Ping Wu(16)	257,361	1.2
All executive officers and directors as a group (14 persons)(17)	7,322,197	34.2

* Less than 1.0%

- (1) The address for those individuals and entities not otherwise indicated is 1213 Elko Drive, Sunnyvale, California 94089. Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the other footnotes to this table.
- (2) Under the rules of the SEC, a person is deemed to be the beneficial owner of shares that can be acquired by such person within 60 days upon the exercise of options.
- (3) Calculated on the basis of 21,010,078 shares of common stock outstanding as of June 30, 2017, provided that any additional shares of common stock that a stockholder has the right to acquire within 60 days after June 30, 2017 are deemed to be outstanding for the purpose of calculating that stockholder's percentage beneficial ownership.

- (4) Based on information contained in a Schedule 13G/A filed with the SEC on February 16, 2016. Includes: 247,913 shares held by HolyStone Enterprises Co., Ltd., of which Mr. Tang is Chief Executive Officer; and 443,141 shares held by Koowin Co., Ltd., of which Mr. Tang is a director. Mr. Tang disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.
- (5) Based on information contained in a Schedule 13G filed with the SEC on February 14, 2017.
- (6) Based on information contained in a Schedule 13G/A filed with the SEC on February 16, 2016.
- (7) Includes: 625,000 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017; 13,600 shares held by Mr. Shu's children; 120,626 shares held by Mr. Shu's spouse; and 67,033 shares issuable upon exercise of options held by his spouse that are exercisable within 60 days of June 30, 2017.
- (8) Includes 22,083 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.
- (9) Represents 21,704 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.
- (10) Represents 64,943 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.
- (11) Includes 54,090 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.
- (12) Includes 86,719 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.
- (13) Includes 211,250 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017 and 4,000 shares held by Mr. Yau's spouse.
- (14) Includes 166,875 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.
- (15) Includes 191,250 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.
- (16) Includes 153,750 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.
- (17) Includes an aggregate of 2,646,947 shares issuable upon exercise of options that are exercisable within 60 days following June 30, 2017.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and persons who beneficially own more than 10% of our common stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such person.

Based solely on our review of such forms furnished to us and written representations from certain reporting persons, we believe that all filing requirements applicable to our executive officers, directors and greater-than-10% stockholders were complied with during fiscal 2017.

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

Stockholder proposals may be included in our proxy materials for an annual meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in applicable SEC rules. For a stockholder proposal to be included in our proxy materials for the 2018 annual meeting, the proposal must be received at our principal executive offices, addressed to the Secretary, not later than March 21, 2018.

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

TRANSACTION OF OTHER BUSINESS

At the date of this Proxy Statement, the Board of Directors knows of no other business that will be conducted at the 2017 annual meeting other than as described in this Proxy Statement. If any other matter or matters are properly brought before the meeting, or any adjournment or postponement of the meeting, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

ANNUAL REPORT ON FORM 10-K

A copy of our annual report on Form 10-K (without exhibits) for the fiscal year ended March 31, 2017 is being distributed along with this proxy statement. We refer you to such report for financial and other information about us, but such report is not incorporated in this proxy statement and is not deemed to be a part of the proxy solicitation material. It is also available on our website at www.gsitechology.com. In addition, the report (with exhibits) is available at the SEC’s website at www.sec.gov.



Robert Yau
Secretary

July 19, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 31, 2017

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>Name of Each Exchange on which Registered</u>
Common Stock, \$0.001 par value	The Nasdaq Stock Market LLC

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on September 30, 2016, as reported on the Nasdaq Global Market, was approximately \$74.1 million. Shares of the registrant's common stock held by each officer and director and each person who owns 10% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of May 31, 2017, there were 20,979,452 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2017 annual meeting of stockholders are incorporated by reference into Part III hereof.

GSI TECHNOLOGY, INC.
2017 FORM 10-K ANNUAL REPORT

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Forward-looking Statements

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

PART I

Item 1. *Business*

Overview

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

On November 23, 2015, we acquired all of the outstanding capital stock of privately held MikaMonu Group Ltd. (“MikaMonu”), an Israel-based company that was engaged in the development of in-place associative computing technology. MikaMonu, located in Tel Aviv, held 12 United States patents and a number of pending patent applications. Subsequent to our acquisition of MikaMonu, our principal strategic objective has been the development of in-place associative computing solutions for applications in evolving new markets such as “big data” (including machine learning and deep convolutional neural networks (“CNNs”)), computer vision, and cyber security.

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

Recent Development

In January 2017, we announced our entrance into the radiation-hardened (“RadHard”) SRAM market with the introduction of the industry’s highest density RadHard SRAM, the SigmaQuad-II+™, targeted at aerospace and defense applications, and a services arrangement with Silicon Turnkey Solutions, a Micross Company (“STS”). This joint effort is intended to leverage the combined strengths and expertise from both companies—GSI’s Silicon IP and its SRAM Sales and Marketing capabilities and STS’s high reliability packaging, assembly, test and qualification services — to facilitate the product launch of QML radiation-hardened SigmaQuad™ SRAMs.

Industry Background

SRAM, LDRAM and Bandwidth Engine Market Overview

Virtually all types of high-performance electronic systems incorporate some form of volatile memory. An SRAM is a memory device that retains data as long as power is supplied, without requiring any further user intervention. In contrast, dynamic random access memory, or DRAM, is a memory device that requires user intervention in the form of refresh operations to retain data while power is supplied, due to the capacitive nature of its memory cell. However, a DRAM memory cell is much smaller than an SRAM memory cell, so several times more DRAM bits than SRAM bits can be implemented in any given unit area of silicon. The fundamentally different characteristics of SRAM and DRAM memory cells have resulted in the emergence of markedly different architectures for SRAM-based and DRAM-based memory products, and the two types of memory serve different applications. Classically, SRAM-based products have served high performance requirements while DRAM-based products have been used in cost-optimized applications. Today, SRAM- and DRAM-based products serve both performance and cost-based applications. As the volatile memory market fragments into a variety of specialized products, more meaningful distinctions between volatile memory products can be made.

There is an increasingly broad variety of volatile memory products on the market, characterized by a number of attributes, such as speed, memory capacity, or density, I/O interface and power consumption. There are several different industry measures of speed:

- *latency*, which is the delay between the request for data and the delivery of such data for use and is measured in nanoseconds, or ns, or when used to describe performance of synchronous memory products may be described in terms of numbers of clock cycles required between the load of an address and the delivery of valid data;
- *random access time*, which is the minimum amount of time required between accesses to random locations within the memory array, typically measured in nanoseconds, or ns;
- *bandwidth*, which is the rate at which data can be streamed to or from a device and is often measured in megabits or gigabits per second (Mb/s or Gb/s);
- *clock frequency*, which is the cycle rate of a clock within a synchronous device and is often measured in megahertz or gigahertz (MHz or GHz); and
- *transaction rate*, which is the rate at which new commands can be executed by the memory device, and is often measured in millions or billions of transactions per second (MT/s or BT/s).

Historically, SRAMs have been utilized wherever other lower price-per-bit memory technologies have been inadequate. SRAMs demonstrate lower latency and faster random access times relative to DRAMs and other types of memory technologies, but at a higher price-per-bit. Historically, the volatile memory market has had three price-performance points, DRAM at the low end, Fast SRAM at the high end, and slow SRAM in the middle. Gartner Dataquest divides the SRAM market into segments based on speed. The highest performance segment is comprised of SRAMs that operate at speeds of less than 10 nanoseconds, which we refer to as “Very Fast SRAMs.” Very Fast SRAMs are predominantly utilized in high-performance networking and telecommunications equipment. Over the

past two decades, alternative memory technologies have been introduced to address certain applications that formerly used slow SRAMs. For example, new types of DRAM have displaced slow SRAM in applications such as cell phones. However, in the networking memory market a technology vacuum formed between Fast SRAMs on one end and commodity DRAMs at the other, with no high bandwidth, high transaction rate, moderate capacity, moderate latency, and moderate cost volatile memory product to fill the void. In the past decade, low latency DRAMs, or LLDRAMs, have been developed to fill that void. Like the slow SRAMs that came before them, LLDRAMs have a much higher price-per-bit than commodity DRAMs (in order to deliver higher transaction rates) but demonstrate slower random access times and longer latencies than Fast SRAMs.

All of these SRAM and DRAM technologies utilize traditional parallel I/O interfaces that require a significant number of pins. Recently we have partnered with another company to provide a new serial I/O (SerDes) memory device called “Bandwidth Engine” which is fabricated using embedded DRAM technology. The Bandwidth Engine has capacity comparable to LLDRAMs but offers far greater transaction rate and data bandwidth capability (greater even than Fast SRAMs) through its serial interface. It can also execute a variety of read-modify-write operations previously unavailable in any other memory device. The networking market is just beginning to take advantage of the unique and powerful capabilities of Bandwidth Engine technology.

The need for increasingly greater capacity, data bandwidth and transaction rates from the various memory technologies continues unabated as the networking market begins to make preparations for Terabit networking in the latter half of the current decade. We believe that Fast SRAM, LLDRAM and Bandwidth Engine products, optimized for networking applications, will continue to play an essential role in enabling continued improvements in network performance.

We believe the key success factors for a networking memory vendor are the ability to offer a broad catalog of high-performance, high-quality and high-reliability networking memory products, to continuously introduce new products with higher speeds, lower power and greater densities, to maintain timely availability of prior generations of products for several years after their introductions, and to provide effective logistic and technical support throughout their OEM customers’ product development and manufacturing life cycles.

Memory Requirements for “Big Data” Applications

With the vast amount of data currently being generated and the demand for faster processing of that data, processor speeds are continuing to increase. However, existing systems that move data back and forth between the processor and memory are inadequate to address the fast response times required by “big data” applications (including machine learning and CNNs). Faster response times are also needed to meet the demands of developers in such markets as cyber security and computer vision. For example, in the automotive market, advanced driver assistance systems (“ADAS”) require a tremendous amount of image processing to be accomplished in real time

The GSI Solution

Continue Leadership in the High Performance Memory Market

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

- ***Product Performance Leadership.*** Through the use of advanced architectures and design methodologies, we continue to develop high-performance SRAM and LLDRAM products offering

superior high speed performance capabilities and low power consumption, while our advanced silicon process technologies allow us to optimize yields, lower manufacturing costs and improve quality.

- *Product Innovation.* We believe that we have established a position as a technology leader in the design and development of Very Fast SRAMs. Our January 2017 announcement of the industry's highest density RadHard SRAM, the SigmaQuad-II+, is the latest example of our industry-leading product innovation.
- *Broad and Readily Available Product Portfolio.* We have what we believe is the broadest catalog of Very Fast SRAM products, and our LLDRAM and Bandwidth Engine product lines further expand our position in the networking market.
- *Master Die Methodology.* Our master die methodology enables multiple product families, and variations thereof, to be manufactured from a single mask set so that we are able to maintain a common pool of wafers that incorporate all available master die, allowing rapid fulfillment of customer orders and reducing costs.
- *Customer Responsiveness.* We work closely with leading networking and telecommunications OEMs, as well as their chip-set suppliers, to anticipate their requirements and to rapidly develop and implement solutions that allow them to meet their specific product performance objectives.

Development of In-Place Associative Computing Products

The in-place associative computing technology that we obtained in the MikaMonu acquisition addresses the bottleneck caused by the inability of memory bus speeds to keep up with increasing processor speeds by changing the concept of computing from serial data processing – where data is moved back and forth from the processor to the memory – to parallel processing computation and search functions being conducted directly in the main processing array. This new computing model has the potential to greatly expedite computation and response times in “big data” applications. We believe that our state-of-the-art circuit design expertise will enable the development of high quality associative processors incorporating MikaMonu’s patented, in-place associative computing technology and algorithms to create a new category of computing products with substantial target markets and a large new customer base in those markets.

The GSI Strategy

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

- *Continue to Focus on the Networking and Telecommunications Markets.* We intend to continue to focus on designing and developing high transaction rate, low latency, high bandwidth and feature-rich memory products targeted primarily at the networking and telecommunications markets.
- *Complete the Development of Our Initial In-place Associative Computing Product.* Our principal strategic objective is the completion of our initial in-place associative computing product. Realization of this goal will require substantial additional development and marketing efforts during the remainder of calendar 2017, with initial product introduction not expected until calendar 2018.
- *Exploit Opportunities to Expand the Market for Our Memory Products.* While we develop our high-performance memory products principally for the networking and telecommunications markets, they are often applicable across a wide range of industries and applications. We have experienced growth in product sales for military, industrial, test and measurement, and medical markets and intend to

continue penetrating these and other new markets with similar needs for high-performance memory technologies.

- *Strengthen and Expand Customer Relationships.* We are focused on maintaining close relationships with industry leaders to facilitate rapid adoption of our products and to enhance our position as a leading provider of high-performance memory. We work with both our customers and with their non-memory IC suppliers that require high-performance memory support in order to anticipate their future high-performance memory needs and to identify and respond to their immediate requests for currently available products and variants on currently available products.
- *Continue to Invest in Research and Development to Extend Our Technology Leadership.* We believe we have established a position as a technology leader in the design and development of Very Fast SRAMs. Our Very Fast SRAM products most often provide the highest speed available at a given density for a given device configuration. We intend to maintain and advance our technology leadership through continual enhancement of our existing Very Fast SRAM products, particularly our SigmaQuad/SigmaDDR family of low latency, high-bandwidth synchronous SRAMs, while we continue to broaden our product line with the introduction of other new high performance memory technologies targeted to address the evolving needs of the high performance memory market.
- *Collaborate with Wafer Foundries to Leverage Leading-edge Process Technologies.* We will continue to rely upon advanced complementary metal oxide semiconductor, or CMOS, technologies, the most commonly used process technologies for manufacturing semiconductor devices, from TSMC for SRAM-based products and from Powerchip for DRAM-based products.
- *Seek New Market Opportunities.* We intend to supplement our internal development activities by seeking additional opportunities to acquire other businesses, product lines or technologies, or enter into strategic partnerships, that would complement our current product lines, expand the breadth of our markets, enhance our technical capabilities, or otherwise provide growth opportunities.

Products

We design, develop and market a broad range of high-performance memory products primarily for the networking and telecommunications markets. We specialize in high performance memory products featuring very high transaction rates, high density, low latency, high bandwidth, fast clock access times and low power consumption. We commit to offering our products for longer periods of time than our competitors, typically seven years or more following their initial introduction. Accordingly, we continue to offer products in a variety of package types that have been discontinued by other suppliers.

We currently offer more than 30 families of SRAMs, one family of LLDRAMs, and one family of Bandwidth Engine products. These basic product configurations are the basis for over 15,000 individual products that incorporate a variety of performance specifications and optional features. Our products can be found in a wide range of networking and telecommunications equipment, including core routers, multi-service access routers, universal gateways, enterprise edge routers, service provider edge routers, optical edge routers, fast Ethernet switches and wireless base stations. We also sell our products to OEMs that manufacture products for military and aerospace applications such as radar and guidance systems and satellites, for professional audio applications such as sound mixing systems, for test and measurement applications such as high-speed testers, for automotive applications such as smart cruise control, and for medical applications such as ultrasound and CAT scan equipment.

We have also begun developing and marketing in-place associative computing solutions, leveraging the patented technology obtained in our acquisition of MikaMonu and our 20-plus years of high-performance SRAM development experience. Our new associative computing solutions will address evolving new markets, such as “big data” (including machine learning and CNNs), computer vision and cyber security.

Synchronous SRAM Products

Synchronous SRAMs are controlled by timing signals, referred to as clocks, which make them easier to use than older style asynchronous SRAMs with similar latency characteristics in applications requiring high bandwidth data transfers. Synchronous SRAMs that employ double data rate interface protocols can transfer data at much higher bandwidth than both single data rate and asynchronous SRAMs. We currently supply synchronous SRAMs that can cycle at operating frequencies as high as 1,333 MHz.

BurstRAM™ and NBT™ SRAMs. We currently offer BurstRAMs and No Bus Turnaround, or NBT, SRAMs that implement a single data rate bus protocol. BurstRAMs were originally developed for microprocessor cache applications and have become the most widely used synchronous SRAMs on the market. They are used in applications where large amounts of data are read or written in single sessions, or bursts. NBT SRAMs are a variation on the BurstRAM theme and were developed to address the needs of moderate performance networking applications. NBT SRAMs feature a single data rate bus protocol designed to minimize or eliminate wasted data transfer time slots on the bus when BurstRAMs switch from read to write operations. Both families of products can perform burst data transfers or single cycle transfers at the discretion of the user.

Our BurstRAMs and NBT SRAMs are offered in both pipeline and flow-through modes. Flow-through SRAMs allow the shortest latency. Pipelined SRAMs break the access into discrete clock-controlled steps, allowing new access commands to be accepted while an access is already in progress. Therefore, while flow-through SRAMs offer lower latency, pipelined SRAMs offer greater data bandwidth. Our BurstRAM and NBT SRAM products incorporate a number of features that reduce our OEM customers' cost of ownership and increase their design flexibility, including a JTAG test port and our FLXDrive feature, which allows system designers to optimize signal integrity for a given application.

We currently offer BurstRAMs and NBT SRAMs with storage densities of up to 288 megabits with clock frequency of up to 400 MHz and clock access times as fast as 2 nanoseconds that operate at 3.3, 2.5 or 1.8 volts.

SigmaQuad and SigmaDDR Products. High-performance double data rate and quad data rate synchronous SRAMs have become the de facto standard for the networking and telecommunications industry. We offer a full line of quad data rate separate I/O SRAMs, known as our SigmaQuad family, as well as a companion line of double data rate common I/O SRAMs, known as our SigmaDDR family. SigmaQuad SRAMs feature two uni-directional (one input and one output) double data rate data ports (two data ports times double data rate transfers equals quad data rate), controlled via a single address and control port. SigmaDDR SRAMs feature a single bi-directional double data rate data port. We currently offer our SigmaQuad and SigmaDDR devices in multiple bus protocol versions and data burst lengths, and with various power supply and interface voltages, all under the names SigmaQuad, SigmaQuad-II, SigmaQuad-IIIe and SigmaQuad-IVe, and their SigmaDDR equivalents. An additional variant in this family of SRAMs is the SigmaSIO DDR, which is designed to address some segments of the market currently served by dual-port SRAMs.

We currently offer SigmaQuad/SigmaDDR products in five storage densities, 18 megabits, 36 megabits, 72 megabits, 144 megabits and 288 megabits. These SRAMs are capable of speeds up to 1,333 MHz and operate on main power supply voltages that range from 2.5 volts to 1.2 volts and interface voltages that range from 1.8 volts to 1.2 volts.

RadHard SRAM Products. We have committed to develop and market radiation-hardened, or “RadHard” SRAMs for aerospace and military applications such as networking satellites. Our initial RadHard product is a 288 megabit device from our SigmaQuad-II family. The RadHard products are housed in a hermetically-sealed ceramic column grid array package, and undergo a special fabrication process that diminishes the adverse effects of high-radiation environments.

Low Latency DRAM Products

Our low latency DRAM family fills an under-served market segment between commodity DRAMs and Fast SRAMs. Offering moderate density, moderate speed and moderate cost, LLDRAM technology gives system designers a middle choice when commodity DRAM performance is insufficient but Fast SRAM performance is unnecessary. LLDRAMs offer one-third the latency of commodity DRAMs and four times the density of Fast SRAMs, giving networking equipment designers another tool for solving difficult data management problems.

Our current LLDRAM portfolio includes both 288 megabit and 576 megabit devices that are capable of speeds of up to 533 MHz, and that operate on a 1.8 volt power supply and support both 1.8 volt and 1.5 volt interfaces. They are available in five distinct configurations including common I/O and separate I/O types and data bus widths of x36, x18 and x9. These devices serve as an alternate source for users of a popular, functionally equivalent device from a competing vendor.

Bandwidth Engine Products

The serial I/O interface and high transaction rate and data bandwidth capability of our Bandwidth Engine products, along with their ability to perform atomic read-modify-write operations, provide a level of performance well-suited for the next generation of high-speed networking systems.

Our Bandwidth Engine products are 576 megabit devices that support SerDes speeds of up to 12.5 Gb/s per transceiver. They are capable of performing in excess of 43 billion transactions per second, can achieve sustained data bandwidth of up to 320 Gb/s (160 Gb/s input, 1600 Gb/s output) and can support four different SerDes lane configurations.

Customers

Historically, our primary sales and marketing strategy has been to achieve design wins with leading OEMs in the networking and telecommunications markets and the other markets we serve. With the development of our new in-place associative computing products, we are focusing sales and marketing efforts in the markets for “big data” (including CNNs), as well as computer vision and cyber security.

The following is a representative list of our OEM customers that directly or indirectly purchased more than \$500,000 of our products in the fiscal year ended March 31, 2017:

BAE Systems	Ciena	Cisco Systems
General Dynamics	Huawei Technologies	Lockheed
Nokia (Alcatel-Lucent)	Rockwell	ZTE

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

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

Direct sales to contract manufacturers and consignment warehouses accounted for 39.0%, 37.6% and 33.1% of our net revenues for fiscal 2017, 2016 and 2015, respectively. Sales to foreign and domestic distributors accounted for 57.5%, 50.4% and 58.7% of our net revenues for fiscal 2017, 2016 and 2015, respectively.

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

	Fiscal Year Ended		
	March 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contract manufacturers and consignment warehouses:			
Flextronics Technology	10.4 %	13.7 %	8.1 %
Sanmina	20.4	16.4	12.6
Distributors:			
Avnet Logistics	25.5	28.2	35.2
Nexcomm	19.7	13.3	12.3

Nokia (Alcatel-Lucent) was our largest customer in fiscal 2017, 2016 and 2015. Nokia (Alcatel-Lucent) 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 (Alcatel-Lucent) represented approximately 41%, 32% and 25% of our net revenues in fiscal 2017, 2016 and 2015, respectively. Cisco Systems, historically our largest OEM customer, purchases our products primarily through its consignment warehouses, and also purchases some products through its contract manufacturers and directly from us. Based on information provided to us by Cisco Systems' consignment warehouses and contract manufacturers, purchases by Cisco Systems represented approximately 9%, 9% and 13% of our net revenues in fiscal 2017, 2016 and 2015, respectively. To our knowledge, none of our other OEM customers accounted for more than 10% of our net revenues in any of these periods.

Sales, Marketing and Technical Support

We sell our products primarily through our worldwide network of independent sales representatives and distributors. As of March 31, 2017, we employed 19 sales and marketing personnel, and were supported by over 200 independent sales representatives. We believe that our relationship with our U.S. distributor, Avnet, puts us in a strong position to address the Very Fast SRAM and LLDRAM memory markets in the United States. We currently have regional sales offices located in Canada, China, Hong Kong, Israel and the United States. We believe this international coverage allows us to better serve our distributors and OEM customers by providing them with coordinated support. We believe that our customers' purchasing decisions are based primarily on product performance, availability, features, quality, reliability, price, manufacturing flexibility and service. Many of our OEM customers have had long-term relationships with us based on our success in meeting these criteria.

Our sales are generally made pursuant to purchase orders received between one and six months prior to the scheduled delivery date. Because industry practice allows customers to reschedule or cancel orders on relatively short notice, these orders are not firm and hence we believe that backlog is not a good indicator of our future sales. We typically provide a warranty of up to 36 months on our products. Liability for a stated warranty period is usually limited to replacement of defective products.

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

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

Manufacturing

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

Currently, all of our wafers are manufactured by TSMC and Powerchip under individually negotiated purchase orders. We do not currently have a long-term supply contract with either of these foundries, and, therefore, neither of them is obligated to manufacture products for us for any specified period, in any specified quantity or at any specified price, except as may be provided in a particular purchase order. Our future success depends in part on

our ability to secure sufficient capacity at TSMC, Powerchip or other independent foundries to supply us with the wafers we require.

The majority of our current SRAM and Bandwidth engine products are manufactured using 0.13 micron, 90 nanometer, 65 nanometer and 40 nanometer process technologies on 300 millimeter wafers at TSMC. Our LLDRAM production at Powerchip uses 72 nanometer and 63 nanometer process technologies. We currently plan to have our new in-place associative computing products manufactured at TSMC using 28 nanometer process technology.

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

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

Research and Development

Research and development expenses were \$15.8 million in fiscal 2017, \$12.1 million in fiscal 2016 and \$11.9 million in fiscal 2015. Our research and development staff includes engineering professionals with extensive experience in the areas of high-speed circuit design, including SRAM design, DRAM design and systems level networking and telecommunications equipment design. The design process for our products is complex. As a result, we have made substantial investments in computer-aided design and engineering resources to manage our design process. Currently, we are devoting substantial resources to the development of a new category of in-place associative computing products based on patented technology obtained in our acquisition of MikaMonu in November 2015.

Competition

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

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

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

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

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

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

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

Intellectual Property

Our ability to compete successfully depends, in part, upon our ability to protect our proprietary technology and information. We rely on a combination of patents, copyrights, trademarks, trade secret laws, non-disclosure and other contractual arrangements and technical measures to protect our intellectual property. We believe that it is important to maintain a large patent portfolio to protect our innovations. We currently hold 59 United States patents, including 44 memory patents and 15 associative computing patents, and have in excess of a dozen patent applications pending. We cannot assure you that any patents will be issued as a result of our pending applications. We believe that factors such as the technological and creative skills of our personnel and the success of our ongoing product development efforts are also important in maintaining our competitive position. We generally enter into confidentiality or license agreements with our employees, distributors, customers and potential customers and limit access to our proprietary information. Our intellectual property rights, if challenged, may not be upheld as valid, may not be adequate to prevent misappropriation of our technology or may not prevent the development of competitive products. Additionally, we may not be able to obtain patents or other intellectual property protection in the future. Furthermore, the laws of certain foreign countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as do the laws of the United States and thus make the possibility of piracy of our technology and products more likely in these countries.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which have resulted in significant and often protracted and expensive litigation. We or our foundry from time to

time are notified of claims that we may be infringing patents or other intellectual property rights owned by third parties. We have been involved in patent infringement litigation. See Item 3. Legal Proceedings. We have been subject to other intellectual property claims in the past and we may be subject to additional claims and litigation in the future. Litigation by or against us relating to allegations of patent infringement or other intellectual property matters could result in significant expense to us and divert the efforts of our technical and management personnel, whether or not such litigation results in a determination favorable to us. In the event of an adverse result in any such litigation, we could be required to pay substantial damages, cease the manufacture, use and sale of infringing products, expend significant resources to develop non-infringing technology, discontinue the use of certain processes or obtain licenses to the infringing technology. Licenses may not be offered or the terms of any offered licenses may not be acceptable to us. If we fail to obtain a license from a third party for technology used by us, we could incur substantial liabilities and be required to suspend the manufacture of products or the use by our foundry of certain processes.

Employees

As of March 31, 2017, we had 156 full-time employees, including 92 engineers, of which 61 are engaged in research and development and 51 have PhD or MS degrees, 19 employees in sales and marketing, ten employees in general and administrative capacities and 68 employees in manufacturing. Of these employees, 58 are based in our Sunnyvale facility, 60 are based in our Taiwan facility and 16 are based in our Israel facility. We believe that our future success will depend in large part on our ability to attract and retain highly-skilled, engineering, managerial, sales and marketing personnel. Our employees are not represented by any collective bargaining unit, and we have never experienced a work stoppage. We believe that our employee relations are good.

Financial Information about Segments and Geographic Areas

Please see Note 10 of our Notes to Consolidated Financial Statements for information regarding our foreign operations, and see Item 1A Risk Factors for further information on risks attendant to our foreign operations and dependence. We operate all of our business as a single operating segment.

Investor Information

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

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

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

Executive Officers

The following table sets forth certain information concerning our executive officers as of June 1, 2017:

Name	Age	Title
Lee-Lean Shu	62	President, Chief Executive Officer and Chairman
Didier Lasserre	52	Vice President, Sales
Douglas Schirle	62	Chief Financial Officer
Bor-Tay Wu	65	Vice President, Taiwan Operations
Ping Wu	60	Vice President, U.S. Operations
Robert Yau	64	Vice President, Engineering, Secretary and Director

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

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

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

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

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

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

Item 1A. Risk Factors

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

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

Our quarterly and annual revenues, expenses and operating results have varied significantly and are likely to vary in the future. For example, in the twelve fiscal quarters ended March 31, 2017, we recorded net revenues of as much as \$14.2 million and as little as \$10.4 million and quarterly operating income of as much as \$389,000 and, in nine quarters, operating losses, including an operating loss of \$2.9 million in the quarter ended March 31, 2015. 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. In future periods, we may not have any revenue growth, or our revenues could decline. 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:

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

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

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

Nokia (Alcatel-Lucent), currently our largest customer, purchases our products directly from us and through contract manufacturers and distributors. Purchases by Nokia (Alcatel-Lucent) represented approximately 41%, 32%

and 25% of our net revenues in fiscal 2017, 2016 and 2015, respectively. Cisco Systems, historically our largest OEM customer, purchases our products through its consignment warehouses and contract manufacturers and directly from us. Purchases by Cisco Systems represented approximately 9%, 9% and 13% of our net revenues in fiscal 2017, 2016 and 2015, 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 (Alcatel-Lucent) and Cisco Systems, and our future success is dependent to a large degree on the business success of these OEMs over which we have no control. We do not have long-term contracts with Nokia (Alcatel-Lucent), Cisco Systems 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 (Alcatel-Lucent), Cisco Systems 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.

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

We have incurred significant losses in prior periods. We incurred losses of \$2.2 million and \$5.0 million during fiscal 2016 and 2015, respectively. Our operating expenses over the past several years included substantial expenses related to legal proceedings which resulted in operating losses. Although these proceedings are substantially concluded, there can be no assurance that our Very Fast SRAMs will continue to receive broad market acceptance, that our new product development initiatives will be successful or that we will be able to achieve sustained revenue growth or profitability.

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

We derive most of our revenues from the sale of Very Fast SRAMs, and we expect that sales of these products will represent the substantial majority of our revenues for the foreseeable future. Our business depends in large part upon continued demand for our products in the markets we currently serve, 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.

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. 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 and LDRAMs, our efforts to introduce new products may not be successful and our business may suffer. Other challenges that we face include:

- our products may become obsolete upon the introduction of alternative technologies;
- we may incur substantial costs if we need to modify our products to respond to these alternative technologies;
- we may not have sufficient resources to develop or acquire new technologies or to introduce new products capable of competing with future technologies;
- new products that we develop may not successfully integrate with our end-users' products into which they are incorporated;
- we may be unable to develop new products that incorporate emerging industry standards;
- we may be unable to develop or acquire the rights to use the intellectual property necessary to implement new technologies; and
- when introducing new or enhanced products, we may be unable to manage effectively the transition from older products.

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

Since our acquisition of MikaMonu in November 2015, our principal strategic objective has been the development of a new category of in-place associative computing products based on patented technology that we acquired in the acquisition. We have devoted, and are continuing to devote, substantial efforts and resources to this development effort. This ongoing project involves the commercialization of new, cutting-edge technology, will require a substantial effort over more than a year and will be subject to significant risks. In addition to the typical risks associated with the development of technologically advanced products (as outlined in the previous paragraph), this project will be subject to enhanced risks of technological problems related to the development of an entirely new category of products, substantial risks of delays or unanticipated costs that may be encountered and risks associated with the establishment of entirely new markets and customer relationships. Our inability to successfully conclude this major development effort and establish a market for the products we hope to develop would 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 development effort, then the price of our common stock could fall.

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

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

The market for Very Fast SRAMs is highly competitive.

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

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

In addition, we are vulnerable to advances in technology by competitors, including new SRAM architectures and new forms of DRAM, or the emergence of new memory technologies that could enable the development of products that feature higher performance, lower cost or lower power capabilities. Additionally, 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. 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.

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.

Global economic and market conditions may adversely affect our business, financial condition and results of operations.

We sell our products to end customers both in the United States and internationally. We also rely heavily on our suppliers in Asia. We are therefore susceptible to adverse domestic and international economic and market conditions. In recent years, turmoil in global financial markets and economic conditions has impacted credit

availability, consumer spending and capital expenditures, including expenditures for networking and telecommunications equipment. Weakness in global networking and telecommunications markets, particularly in Asia, has continued to adversely impact our revenues in recent quarters. Slowness in economic growth, domestically and in our key markets, uncertainty regarding macroeconomic trends, and volatility in financial markets may continue to adversely affect our business, financial condition and results of operations over coming quarters.

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. Most significantly, we obtain wafers for our Very Fast SRAM products from a single foundry, TSMC, and most of them are packaged at ASE. Wafers for our LLDRAM products are obtained exclusively from Powerchip. If we are unable to obtain an adequate supply of wafers from TSMC or Powerchip 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, Powerchip, 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 and Powerchip, 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 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.

Because we outsource our wafer manufacturing and independent wafer foundry capacity is limited, we may be required to enter into costly long-term supply arrangements to secure foundry capacity.

We do not have long-term supply agreements with TSMC or Powerchip, but instead obtain our wafers on a purchase order basis. In order to secure future wafer supply from TSMC or Powerchip or from other independent foundries, we may be required to enter into various arrangements with them, which could include:

- contracts that commit us to purchase specified quantities of wafers over extended periods;
- investments in and joint ventures with the foundries; or
- non-refundable deposits with or prepayments or loans to foundries in exchange for capacity commitments.

We may not be able to make any of these arrangements in a timely fashion or at all, and these arrangements, if any, may not be on terms favorable to us. Moreover, even if we are able to secure independent foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

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

If there is a significant upturn in the networking and telecommunications markets that results in increased demand for our products and competing products, the available supply of wafers may be limited. As a result, we could be required to obtain additional manufacturing capacity in order to meet increased demand. Securing additional manufacturing capacity may 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 rely heavily on distributors and our success depends on our ability to develop and manage our indirect distribution channels.

A significant percentage of our sales are made to distributors and to contract manufacturers who incorporate our products into end products for OEMs. For example, in fiscal 2017, 2016 and 2015, our largest distributor Avnet Logistics accounted for 25.5%, 28.2% and 35.2%, 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.

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

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

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

At March 31, 2017, four customers accounted for 36%, 26%, 13% and 10% 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.

We have previously disclosed a material weakness in our internal control over financial reporting relating to the evaluation and calculation of our inventory reserve which management believes has been fully remediated. Should we have inadequately remediated this material weakness or should we otherwise fail to maintain effective internal control over financial reporting and disclosure controls and processes, our ability to report our financial condition and results of operations accurately and on a timely basis could be adversely affected.

In connection with the completion of the quarter-end closing and review procedures for the quarter ended December 31, 2013, certain errors were identified in the evaluation and calculation of our inventory write-down for the quarter and nine month period then ended that were the result of a material weakness in our internal control over financial reporting. 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.

During these closing and review procedures, our management determined that we had not designed and maintained effective controls over the review of supporting information to confirm the completeness and accuracy of our calculations for the write-down of excess or obsolete inventory, thereby affecting the valuation of our inventory as of December 31, 2013. While this control deficiency did not result in any material misstatement of our historical financial statements, it did result in adjustments identified by our auditors as part of their quarterly review process, and require corrections after our initial estimate of excess and obsolete inventory write-downs for the three month period ended December 31, 2013.

A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. Following the identification of the error in our financial statements and the material weakness that gave rise to the error, our management implemented a remediation plan which it believes fully remediated the material weakness. Should our remediation efforts prove to have been inadequate or should we otherwise fail to maintain effective internal control over financial reporting and disclosure controls and procedures, we could be unable to meet our reporting obligations accurately and on a timely basis. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could adversely affect the trading price of our common stock.

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 anticipated 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.

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

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

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

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

Our 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. We were recently 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.

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

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

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

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

We may 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 and Powerchip to transition successfully to smaller geometry process technologies and to more advanced manufacturing processes. We cannot assure you that TSMC or Powerchip will be able to effectively manage the transition or that we will be able to maintain our relationship with them. If we or TSMC or Powerchip 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 fiscal 2014, we incurred \$809,000 and \$648,000, respectively, in research and development expense associated with pre-production mask sets which were not later used in production as part of the transition to our new 40 nanometer SRAM process technology and 63 nanometer DRAM process technology. 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. For example, in the quarter ended December 31, 2005, we incurred a charge of approximately \$900,000 related to the write-off of inventory resulting from an error in the assembly process at one of our suppliers. This write-off adversely affected our operating results for fiscal 2006.

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.

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

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

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

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

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 of Lee-Lean Shu, our President and Chief Executive Officer, Robert Yau, our Vice President of Engineering, Dr. Avidan Akerib, our Vice President of Associative Computing, any other executive officer or other key employee could significantly delay or prevent the achievement of our development and strategic objectives. We do not have employment contracts with, nor maintain key person insurance on, any of our executive officers or other key employees.

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

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

Our international business exposes us to additional risks.

Products shipped to destinations outside of the United States accounted for 59.1%, 60.3% and 66.2% of our net revenues in fiscal 2017, 2016 and 2015, respectively. Moreover, a substantial portion of our products is manufactured and tested in Taiwan, and we are now conducting business in Israel as a result of our acquisition of MikaMonu. We intend to continue expanding our international business in the future. Conducting business outside of the United States subjects us to additional risks and challenges, including:

- heightened price sensitivity from customers in emerging markets;
- compliance with a wide variety of foreign laws and regulations and unexpected changes in these laws and regulations;
- legal uncertainties regarding taxes, tariffs, quotas, export controls, competition, export licenses and other trade barriers;
- potential political and economic instability in, or foreign conflicts that involve or affect, the countries in which we, our customers and our suppliers are located;
- difficulties in collecting accounts receivable and longer accounts receivable payment cycles;
- difficulties and costs of staffing and managing personnel, distributors and representatives across different geographic areas and cultures, including assuring compliance with the U. S. Foreign Corrupt Practices Act and other U. S. and foreign anti-corruption laws;
- limited protection for intellectual property rights in some countries; and

- fluctuations in freight rates and transportation disruptions.

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

TSMC and Powerchip, as well as our other independent suppliers and many of our OEM customers, have operations in the Pacific Rim, an area subject to significant earthquake risk and adverse consequences related to the potential outbreak of contagious diseases such as the H1N1 Flu.

The foundries that manufacture our Fast SRAM and LLDRAM products, TSMC and Powerchip, 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 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 outbreak of SARS in 2003 curtailed travel to and from certain countries, primarily in the Asia-Pacific region, and limited travel within those countries. If there were to be another outbreak of a contagious disease, such as SARS or the H1N1 Flu, that significantly affected the Asia-Pacific region, the operations of our key suppliers could be disrupted. In addition, our business could be harmed if such an outbreak resulted in travel being restricted or if it adversely affected the operations of our suppliers or our OEM customers or the demand for our products or our OEM customers' products.

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

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

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.

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, as the current conflict in Afghanistan winds down, 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.

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

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

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

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:

- actual or anticipated declines in operating results;
- changes in financial estimates or recommendations by securities analysts;
- the institution of legal proceedings against us or significant developments in such proceedings;
- announcements by us or our competitors of financial results, new products, significant technological innovations, contracts, acquisitions, strategic relationships, joint ventures, capital commitments or other events;
- changes in industry estimates of demand for Very Fast SRAM products;

- the gain or loss of significant orders or customers;
- recruitment or departure of key personnel; and
- market conditions in our industry, the industries of our customers and the economy as a whole.

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

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

From November 2008 through March 2017 we repurchased and retired an aggregate of 11,983,942 shares of our common stock at a total cost of \$60.6 million, including 3,846,153 shares repurchased at a total cost of \$25 million pursuant to a modified "Dutch auction" self-tender offer that we completed in August 2014 and additional shares repurchased in the open market pursuant to our stock repurchase program. At March 31, 2017, we had outstanding authorization from our Board of Directors to purchase up to an additional \$4.4 million of our common stock from time to time under our repurchase program. Although our Board has determined that these repurchases are in the best interests of our stockholders, they expose us to certain risks including:

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

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

As of May 31, 2017, our executive officers, directors and entities affiliated with them beneficially owned approximately 34% of our outstanding common stock. As a result, these stockholders will be able to exercise substantial influence over, and may be able to effectively control, matters requiring stockholder approval, including

the election of directors and approval of significant corporate transactions, which could have the effect of delaying or preventing a third party from acquiring control over or merging with us.

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

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

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

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

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our executive offices, our principal administration, marketing and sales operations and a portion of our research and development operations are located in a 44,277 square foot facility in Sunnyvale, California, which we purchased in fiscal 2010. In addition, we occupy approximately 25,250 square feet in a facility located in Hsin Chu, Taiwan under a lease expiring in August 2017, which we expect to be extended. This facility supports our manufacturing activities. We believe that both our Sunnyvale and Taiwan facilities are adequate for our needs for the foreseeable future. We also lease space in the United States in the states of Georgia and Texas and in Israel. The aggregate annual gross rent for our leased facilities was approximately \$504,000 in fiscal 2017.

Item 3. *Legal Proceedings*

In March 2011, Cypress Semiconductor Corporation, a semiconductor manufacturer, filed a lawsuit against us in the United States District Court for the District of Minnesota alleging that certain of our SRAM products infringe patents held by Cypress. The complaint sought unspecified damages for past infringement and a permanent injunction against future infringement.

On June 10, 2011, Cypress filed a complaint against us with the United States International Trade Commission (the “ITC”). The ITC complaint, as subsequently amended, alleged infringement by GSI of certain patents involved in the District Court case and one additional patent and also alleged infringement by certain of our distributors and customers who allegedly incorporate our SRAMs in their products. The ITC complaint sought a limited exclusion order excluding the allegedly infringing SRAMs, and products containing them, from entry into the United States and permanent orders directing GSI and the other respondents to cease and desist from selling or distributing such products in the United States. On July 21, 2011, the ITC formally instituted an investigation in response to Cypress’s complaint. On June 7, 2013, the full Commission affirmed a determination that GSI’s SRAM devices, and products containing them, do not infringe the Cypress patents and that Cypress had failed to establish the existence of a domestic industry that practices the patents. Moreover, the Commission reversed a portion of an earlier determination with respect to the validity of the patents, finding the asserted claims of one of the patents to have been anticipated by prior art and, therefore, invalid. The Commission ordered the investigation terminated, and Cypress did not appeal the ruling.

The Minnesota District Court case had been stayed pending the conclusion of the ITC proceeding. Following the termination of the ITC proceeding, the stay was lifted. On May 1, 2013, Cypress filed an additional lawsuit in the United States District Court for the Northern District of California alleging infringement by our products of additional Cypress patents. Like the Minnesota case, the complaint in the California lawsuit sought unspecified damages for past infringement and a permanent injunction against future infringement. We filed answers in both cases denying liability and asserting affirmative defenses. The parties then stipulated that the claims in the Minnesota case with respect to some of the asserted patents would be dismissed without prejudice and that the claims with respect to the remaining patents would be transferred to the Northern District of California and consolidated with the pending California case. On August 20, 2013, the Court in the California case ordered the cases consolidated.

On July 22, 2011, we filed a complaint against Cypress in the United States District Court for the Northern District of California. Our complaint alleged that Cypress had conducted an unlawful combination and conspiracy to monopolize the market for certain high-performance SRAM devices, known as fast synchronous Quad Data Rate (or QDR) SRAMs and Double Data Rate (or DDR) SRAMs. The complaint alleged that the anti-competitive, collusive and conspiratorial conduct of Cypress and certain co-conspirators violated Section 1 of the Sherman Act and also constituted unlawful restraint of trade and unfair competition under applicable provisions of California law. The complaint sought treble damages, in an amount to be determined at trial, a preliminary and permanent injunction prohibiting the continuation of the unfair and illegal business practices and recovery of our attorneys’ fees and costs.

On May 6, 2015, the Company and Cypress entered into a settlement agreement to resolve the patent infringement and antitrust litigation. Under the settlement agreement:

- Each of the parties agreed to dismiss its lawsuit with prejudice in consideration of the dismissal with prejudice of the lawsuit brought by the other party; and
- Each party released all claims against the other with respect to issues raised in the two lawsuits.

The parties agreed that the settlement agreement was entered into to resolve disputed claims, and that each party denies any liability to the other party.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

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

Market Information

Our common stock has traded on the Nasdaq Global Market under the symbol "GSIT" since our initial public offering on March 29, 2007. The following table sets forth, for the periods indicated, the high and low sales prices for our common stock on such market.

<u>Fiscal Year Ended March 31, 2016</u>	<u>High</u>	<u>Low</u>
First quarter	\$ 5.88	\$ 4.75
Second quarter	5.43	4.00
Third quarter	4.55	3.72
Fourth quarter	4.64	3.33
 <u>Fiscal Year Ended March 31, 2017</u>		
First quarter	\$ 4.34	\$ 3.50
Second quarter	5.24	4.03
Third quarter	6.34	4.71
Fourth quarter	9.68	5.58

Holder of Common Stock

On May 31, 2017, the closing price of our common stock on the Nasdaq Global Market was \$8.21, and there were 30 holders of record of our common stock. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial holders of our common stock represented by these record holders.

Dividend Policy

We have never declared or paid cash dividends on our common stock. The payment of dividends in the future will be at the discretion of our Board of Directors. However, we currently intend to retain future earnings to finance the growth and development of our business, and we do not anticipate declaring or paying any cash dividends in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

Please see Part III, Item 12 of this report for information regarding securities authorized for issuance under our equity compensation plans. Such information is incorporated by reference from our definitive proxy statement for our 2017 annual meeting of stockholders.

Issuer Purchases of Equity Securities

Our Board of Directors has authorized us to repurchase, at management's discretion, shares of our common stock. Under the repurchase program, we may repurchase shares from time to time on the open market or in private transactions. The specific timing and amount of the repurchases will be dependent on market conditions, securities law limitations and other factors. The repurchase program may be suspended or terminated at any time without prior

notice. During the quarter ended March 31, 2017, we did not repurchase any of our shares under the repurchase program.

Item 6. Selected Financial Data

You should read the following selected consolidated financial data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this report. The selected consolidated statement of operations data set forth below for the fiscal years ended March 31, 2017, 2016 and 2015 and the selected consolidated balance sheet data as of March 31, 2017 and 2016 are derived from, and are qualified by reference to, our audited consolidated financial statements included elsewhere in this report. The selected consolidated statement of operations data set forth below for the fiscal years ended March 31, 2014 and 2013 and the selected consolidated balance sheet data as of March 31, 2015, 2014 and 2013 are derived from audited consolidated financial statements not included in this report.

	Fiscal Year Ended March 31,				
	2017	2016	2015	2014	2013
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Net revenues	\$ 48,180	\$ 52,736	\$ 53,498	\$ 58,579	\$ 66,014
Cost of revenues	21,764	25,999	28,375	32,469	37,426
Gross profit	<u>26,416</u>	<u>26,737</u>	<u>25,123</u>	<u>26,110</u>	<u>28,588</u>
Operating expenses:					
Research and development	15,803	12,095	11,917	13,110	11,472
Selling, general and administrative	11,140	17,663	19,247	18,814	13,696
Total operating expenses	<u>26,943</u>	<u>29,758</u>	<u>31,164</u>	<u>31,924</u>	<u>25,168</u>
Income (loss) from operations	(527)	(3,021)	(6,041)	(5,814)	3,420
Interest and other income	478	210	388	338	464
Income (loss) before income taxes	(49)	(2,811)	(5,653)	(5,476)	3,884
Provision (benefit) for income taxes	66	(641)	(675)	713	38
Net income (loss)	<u>\$ (115)</u>	<u>\$ (2,170)</u>	<u>\$ (4,978)</u>	<u>\$ (6,189)</u>	<u>\$ 3,846</u>
Basic and diluted net income (loss) per share available to common stockholders:					
Basic	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>	<u>\$ (0.20)</u>	<u>\$ (0.23)</u>	<u>\$ 0.14</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>	<u>\$ (0.20)</u>	<u>\$ (0.23)</u>	<u>\$ 0.14</u>
Weighted average shares used in per share calculations:					
Basic	<u>20,652</u>	<u>22,593</u>	<u>25,029</u>	<u>27,505</u>	<u>27,124</u>
Diluted	<u>20,652</u>	<u>22,593</u>	<u>25,029</u>	<u>27,505</u>	<u>28,077</u>
			March 31,		
	2017	2016	2015	2014	2013
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	\$ 49,935	\$ 55,112	\$ 58,977	\$ 80,932	\$ 67,259
Working capital	57,798	62,720	66,230	90,670	86,619
Total assets	102,595	106,530	108,889	141,677	145,845
Total stockholders' equity	86,444	89,869	96,396	128,378	132,183

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

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

Overview

We are a fabless semiconductor company that designs, develops and markets static random access memories, or SRAMs, that operate at speeds of less than 10 nanoseconds, which we refer to as Very Fast SRAMs, and low latency dynamic random access memories, or LLDRAMs, primarily for the networking and telecommunications markets. We are subject to the highly cyclical nature of the semiconductor industry, which has experienced significant fluctuations, often in connection with fluctuations in demand for the products in which semiconductor devices are used. Our revenues have been substantially impacted by significant fluctuations in sales to Cisco Systems, historically our largest customer, and more recently to Nokia (Alcatel-Lucent). We expect that future direct and indirect sales to these two customers will continue to fluctuate significantly on a quarterly basis. The worldwide financial crisis and the resulting economic impact on the end markets we serve have adversely impacted our financial results since the second half of fiscal 2009, and we expect that the unsettled global economic environment will continue to affect our operating results in future periods. However, with no debt, substantial liquidity and a history of positive cash flows from operations, we believe we are in a better financial position than many other companies of our size.

Revenues. Our revenues are derived primarily from sales of our Very Fast SRAM products. Sales to networking and telecommunications OEMs accounted for 63% to 66% 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 and satellites, for professional audio applications such as sound mixing systems, for test and measurement applications such as high-speed testers, for automotive applications such as smart cruise control and voice recognition systems, and for medical applications such as ultrasound and CAT scan equipment.

As is typical in the semiconductor industry, the selling prices of our products generally decline over the life of the product. Our ability to increase net revenues, therefore, is dependent upon our ability to increase unit sales volumes of existing products and to introduce and sell new products with higher average selling prices in quantities sufficient to compensate for the anticipated declines in selling prices of our more mature products. Although we expect the average selling prices of individual products to decline over time, we believe that, over the next several quarters, our overall average selling prices will increase due to a continuing shift in product mix to a higher percentage of higher price, higher density products. 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 and Powerchip, our wafer suppliers, 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. Revenues from product sales, except for sales to distributors, are generally recognized upon shipment, net of sales returns and allowances. Sales to consignment warehouses, who purchase products from us for use by contract manufacturers, are recorded upon delivery to the contract manufacturer. Sales to distributors are recorded as deferred revenues for financial reporting purposes and recognized as revenues when the products are resold by the distributors to the OEM. Sales to distributors are made under agreements allowing for returns or credits under certain circumstances. We therefore defer recognition of revenue on sales to distributors until products are resold by the distributor.

Historically, a small number of OEM customers have accounted for a substantial portion of our net revenues, and we expect that significant customer concentration will continue for the foreseeable future. Many of our OEMs use contract manufacturers to manufacture their equipment. Accordingly, a significant percentage of our net revenues is derived from sales to these contract manufacturers and to consignment warehouses. In addition, a significant portion of our sales are made to foreign and domestic distributors who resell our products to OEMs, as well as their contract manufacturers. Direct sales to contract manufacturers and consignment warehouses accounted for 39.0%, 37.6% and 33.1% of our net revenues for fiscal 2017, 2016 and 2015, respectively. Sales to foreign and domestic distributors accounted for 59.1%, 50.4% and 58.7% of our net revenues for fiscal 2017, 2016 and 2015, respectively. The following direct customers accounted for 10% or more of our net revenues in one or more of the following periods:

	Fiscal Year Ended		
	March 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contract manufacturers and consignment warehouses:			
Flextronics Technology	10.4 %	13.7 %	8.1 %
Sanmina	20.4	16.4	12.6
Distributors:			
Avnet Logistics	25.5	28.2	35.2
Nexcomm	19.7	13.3	12.3

Nokia (Alcatel-Lucent) was our largest customer in fiscal 2017, 2016 and 2015. Nokia (Alcatel-Lucent) 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 (Alcatel-Lucent) represented approximately 41%, 32% and 25% of our net revenues in fiscal 2017, 2016 and 2015, respectively. Cisco Systems, historically our largest OEM customer, purchases our products primarily through its consignment warehouses and also purchases some products through its contract manufacturers and directly from us. Based on information provided to us by Cisco Systems' consignment warehouses and contract manufacturers, purchases by Cisco Systems represented approximately 9%, 9% and 13% of our net revenues in fiscal 2017, 2016 and 2015, respectively. Our revenues have been substantially impacted by significant fluctuations in sales to Nokia (Alcatel-Lucent) and Cisco Systems, and we expect that future direct and indirect sales to these two customers will continue to fluctuate substantially on a quarterly basis and that such fluctuations may significantly affect our operating results in future periods. To our knowledge, none of our other OEM customers accounted for more than 10% of our net revenues in fiscal 2017, 2016 or 2015.

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, Powerchip 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. Cost of revenues also includes expenses related to supply chain management, quality assurance, and final product testing and documentation control activities conducted at our headquarters in Sunnyvale, California and our branch operations in Taiwan.

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

Research and Development Expenses. Research and development expenses consist primarily of salaries and related expenses for design engineers and other technical personnel, the cost of developing prototypes, stock-based compensation and fees paid to consultants. We charge all research and development expenses to operations as incurred. We charge mask costs used in production to cost of revenues over a 12-month period. However, we charge costs related to pre-production mask sets, which are not used in production, to research and development expenses at the time they are incurred. These charges often arise as we transition to new process technologies and, accordingly, can cause research and development expenses to fluctuate on a quarterly basis. We believe that continued investment in research and development is critical to our long-term success, and we expect to continue to devote significant resources to product development activities. In particular, we are devoting substantial resources to the development of a new category of in-place associative computing products based on patented technology obtained in our acquisition of MikaMonu in November 2015. 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. General and administrative expenses increased significantly beginning in fiscal 2012 as a result of substantial legal expenses, principally related to our patent infringement and antitrust litigation with Cypress Semiconductor Corporation. These expenses varied significantly from quarter to quarter thereafter, depending on the relative level of activity in the Cypress litigation. In May 2015, we entered into a settlement agreement to resolve our protracted litigation with Cypress. Although we ceased to incur significant legal expenses related to our litigation with Cypress after the quarter ended June 30, 2015, legal expenses associated with unrelated commercial and trade secret litigation in which we were the plaintiff continued to be substantial through the quarter ended December 31, 2015, reflecting preparation for and conduct of the trial of that case which concluded in November 2015.

Acquisition

On November 23, 2015, we acquired all of the outstanding capital stock of privately held MikaMonu Group Ltd. (“MikaMonu”), a development-stage, Israel-based company that specializes in in-place associative computing

for markets including big data, computer vision and cyber security. MikaMonu, located in Tel Aviv, held 12 United States patents and a number of pending patent applications.

The acquisition was undertaken by the Company in order to gain access to the MikaMonu patents and the potential markets, and new customer base in those markets, that can be served by new products that we plan to develop using the patents obtained in the MikaMonu acquisition.

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

The results of operations of MikaMonu and the estimated fair value of the assets acquired were included in our consolidated financial statements beginning November 23, 2015.

Under the terms of the acquisition agreement, we paid the former MikaMonu shareholders initial cash consideration of approximately \$4.4 million at the closing on November 23, 2015. In addition, \$484,000 was deposited in escrow to provide a fund for potential future indemnification claims by us. This amount is included in prepaid expenses and other current assets on the Consolidated Balance Sheet at March 31, 2017.

We are also required to pay the former MikaMonu shareholders future contingent consideration consisting of retention payments and “earnout” payments, as described below.

We will make cash retention payments of up to an additional \$2.5 million to the three former MikaMonu shareholders in installments over a four-year period, conditioned on the continued employment of Dr. Avidan Akerib, MikaMonu’s co-founder and chief technologist. The retention amount of \$2.5 million has been deposited in escrow. Of this amount, \$750,000 is included in prepaid expenses and other current assets and the remaining \$1,750,000 is included in other assets on the Consolidated Balance Sheet at March 31, 2017.

We will also make “earnout” payments to the former MikaMonu shareholders in cash or shares of our common stock, at our discretion, during a period of up to ten years following the closing if certain product development milestones and revenue targets for products based on the MikaMonu technology are achieved. Earnout amounts of \$750,000 will be payable if certain product development milestones are achieved by December 31, 2017. Additional earnout amounts of \$2,750,000 and \$4,000,000 will be payable if certain revenue milestones are achieved by January 1, 2021 and January 1, 2022, respectively; and additional payments, up to a maximum of \$30 million, equal to 5% of net revenues from the sale of qualifying products in excess of certain thresholds, will be made quarterly through December 31, 2025.

The portion of the retention payment contingently payable to Dr. Akerib (approximately \$1.2 million) will be recorded as compensation expense over the period that his services are provided to us. The portion of the retention payment contingently payable to the other former MikaMonu shareholders (approximately \$1.3 million) plus the maximum amount of the potential earnout payments totals approximately \$38.8 million. We determined that the fair value of this contingent consideration liability was \$5.8 million at the acquisition date. This contingent consideration liability is included in other accrued expenses on the Consolidated Balance Sheet at March 31, 2016 in the amount of \$5.9 million. The contingent consideration liability is included in other accrued expenses on the Consolidated Balance Sheet at March 31, 2017 in the amount of \$5.1 million and \$1.1 million is included in accrued expenses and other liabilities.

The fair value of the contingent consideration liability was determined as of the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of future revenues, the probability of

success (achievement of the various contingent events) and a risk-adjusted discount rate of approximately 14.8% used to adjust the probability-weighted cash flows to their present value. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability will be re-measured at then current fair value with changes recorded in the Consolidated Statement of Operations. Changes in any of the inputs may result in significant adjustments to the recorded fair value. The contingent consideration liability is included in other accrued expenses on the Consolidated Balance Sheet at March 31, 2017 in the amount of \$5.1 million and \$1.1 million is included in accrued expenses and other liabilities.

Acquisition-related costs of approximately \$426,000 are included in selling, general and administrative expenses in the Consolidated Statements of Operations for the fiscal year ended March 31, 2016.

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

Results of Operations

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

	<u>Fiscal Year Ended March 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net revenues	100.0%	100.0 %	100.0 %
Cost of revenues	45.2	49.3	53.0
Gross profit	<u>54.8</u>	<u>50.7</u>	<u>47.0</u>
Operating expenses:			
Research and development	32.8	22.9	22.3
Selling, general and administrative	23.1	33.5	36.0
Total operating expenses	<u>55.9</u>	<u>56.4</u>	<u>58.3</u>
Loss from operations	(1.1)	(5.7)	(11.3)
Interest and other income (expense), net	1.0	0.4	0.7
Loss before income taxes	<u>(0.1)</u>	<u>(5.3)</u>	<u>(10.6)</u>
Provision (benefit) for income taxes	0.1	(1.2)	(1.2)
Net loss	<u>(0.2) %</u>	<u>(4.1) %</u>	<u>(9.4) %</u>

Fiscal Year Ended March 31, 2017 Compared to Fiscal Year Ended March 31, 2016

Net Revenues. Net revenues decreased by 8.6% from \$52.74 million in fiscal 2016 to \$48.2 million in fiscal 2017. The reduction reflected the continuing weakness in the global networking and telecommunications markets and, in particular, continued weakness in Asia. Direct and indirect sales to Nokia (Alcatel-Lucent), currently our largest customer, increased by \$2.7 million from \$17.1 million in fiscal 2016 to \$19.8 million fiscal 2017, reflecting increased demand for its systems that incorporate our products. However, direct and indirect sales to Cisco Systems, historically our largest customer, decreased by \$200,000 from \$4.5 million in fiscal 2016 to \$4.3 million in fiscal 2017 due to softness in the market for its switches and routers that incorporate our products. We believe that our net revenues were also negatively impacted during fiscal 2016 by uncertainty regarding the outcome of our patent litigation with Cypress Semiconductor that was settled in May 2015. We believe that this market uncertainty was resolved with the settlement of the litigation. However, some design-in losses that we suffered during the pendency of the lawsuit and a related ITC proceeding will continue to adversely affect our revenues throughout the life of the related products. Shipments of our SigmaQuad product line accounted for 55.2% of total shipments in fiscal 2017 compared to 53.5% of total shipments in fiscal 2016.

Cost of Revenues. Cost of revenues decreased by 16.3% from \$26.0 million in fiscal 2016 to \$21.8 million in fiscal 2017. Cost of revenues decreased primarily due to improved gross margin and the decrease in net revenues discussed above. Cost of revenues included stock-based compensation expense of \$282,000 and \$320,000, respectively, in fiscal 2017 and fiscal 2016.

Gross Profit. Gross profit decreased by 1.2% from \$26.7 million in fiscal 2016 to \$26.4 million in fiscal 2017. Gross margin increased from 50.7% in fiscal 2016 to 54.8% in fiscal 2017. The improvement in gross margin was primarily related to favorable changes in the mix of products and customers.

Research and Development Expenses. Research and development expenses increased 30.7% from \$12.1 million in fiscal 2016 to \$15.8 million in fiscal 2017. This increase was primarily due to an increase of \$2.7 million in payroll related expenses and \$564,000 for purchased IP both primarily related to our in-place associative processor development activities. Research and development expenses included stock-based compensation expense of \$980,000 and \$858,000, respectively, in fiscal 2017 and fiscal 2016

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased 36.9% from \$17.7 million in fiscal 2016 to \$11.1 million in fiscal 2017. This decrease was primarily related to a decrease in legal expenses of \$7.0 million related to the resolution of patent infringement and antitrust litigation involving Cypress Semiconductor Corporation which was settled in May 2015, partially offset by increased expenses related to the UMI/ISSI litigation. Selling, general and administrative expenses included stock-based compensation expense of \$615,000 and \$672,000, respectively, in fiscal 2017 and fiscal 2016.

Interest and Other Income (Expense), Net. Interest and other income (expense), net increased 127.6% from \$210,000 in fiscal 2016 to \$478,000 in fiscal 2017. Interest income increased by \$5,000 due to higher interest rates received on cash and short-term and long-term investments. A foreign currency exchange loss of \$97,000 in fiscal 2016 compared to a foreign currency exchange gain of \$166,000 in fiscal 2017. The exchange gain or loss in each period was primarily related to our Taiwan branch operations and operations in Israel.

Provision for Income Taxes. The benefit for income taxes was \$641,000 in fiscal 2016 compared to a provision of \$66,000 in fiscal 2017. Because we recorded a cumulative three-year loss on a U.S. tax basis for the year ended March 31, 2017 and the realization of our deferred tax assets is questionable, we recorded a tax provision reflecting a full valuation allowance of \$8.9 million in net deferred tax assets in fiscal 2017. Reductions in uncertain tax benefits due to lapses in the statute of limitations were \$71,000 and \$563,000 in the years ended March 31, 2017 and 2016, respectively.

Net Loss. Net loss decreased from \$2.2 million in fiscal 2016 to \$115,000 in fiscal 2017. This decrease was primarily due to the changes in net revenues, gross profit and operating expenses discussed above.

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015

Net Revenues. Net revenues decreased by 1.4% from \$53.5 million in fiscal 2015 to \$52.7 million in fiscal 2016. The reduction reflected the continuing weakness in the global networking and telecommunications markets and, in particular, continued weakness in Asia. Direct and indirect sales to Nokia (Alcatel-Lucent), currently our largest customer, increased by \$3.9 million from \$13.2 million in fiscal 2015 to \$17.1 million fiscal 2016, reflecting increased demand for its systems that incorporate our products. However, direct and indirect sales to Cisco Systems, historically our largest customer, decreased by \$2.6 million from \$7.1 million in fiscal 2015 to \$4.5 million in fiscal 2016 due to softness in the market for its switches and routers that incorporate our products. We believe that our net revenues were also negatively impacted during fiscal 2015 and the first quarter of fiscal 2016 by uncertainty regarding the outcome of our patent litigation with Cypress Semiconductor that was settled in May 2015. We believe that the Commission's favorable final determination in the ITC proceeding reduced this market uncertainty

somewhat, and that the uncertainty was resolved with the settlement of the litigation. However, some design-in losses that we suffered during the pendency of the ITC proceeding will continue to adversely affect our revenues throughout the life of the related products. Shipments of our SigmaQuad product line accounted for 53.5% of total shipments in fiscal 2016 compared to 41.6% of total shipments in fiscal 2015.

Cost of Revenues. Cost of revenues decreased by 8.4% from \$28.4 million in fiscal 2015 to \$26.0 million in fiscal 2016. This decrease was primarily due to the corresponding decrease in net revenues, favorable product mix and reductions in variable manufacturing costs in fiscal 2016. Cost of revenues included stock-based compensation expense of \$320,000 and \$401,000, respectively, in fiscal 2016 and fiscal 2015.

Gross Profit. Gross profit increased by 6.4% from \$25.1 million in fiscal 2015 to \$26.7 million in fiscal 2016. Gross margin increased from 47.0% in fiscal 2015 to 50.7% in fiscal 2016. The increases in gross profit and improvements in gross margin were primarily related to favorable changes in the mix of products and customers.

Research and Development Expenses. Research and development expenses increased 1.5% from \$11.9 million in fiscal 2015 to \$12.1 million in fiscal 2016. This increase was primarily due to an increase in payroll related expenses of \$314,000 and lesser increases in patent related legal fees and travel related expenses, partially offset by a decrease in depreciation expense of \$129,000 and lesser decreases in facilities related expenses, stock-based compensation expense and software maintenance expenses. Payroll expenses increased as a result of our acquisition of MikaMonu in November 2015 and the subsequent hiring of engineers to work on our in-place associative computing product development. Research and development expenses included stock-based compensation expense of \$858,000 and \$941,000, respectively, in fiscal 2016 and fiscal 2015.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased 8.2% from \$19.2 million in fiscal 2015 to \$17.7 million in fiscal 2016. This decrease was primarily related to a \$1.5 million decrease in legal fees related to the patent infringement and antitrust litigation involving Cypress Semiconductor Corporation which was settled in May 2015 and commercial and trade secret litigation in which we were the plaintiff, the trial of which concluded in November 2015, and lesser decreases in other professional fees, stock-based compensation, facility related expenses and payroll related expenses, partially offset by an increase in independent sales representative commissions. Selling, general and administrative expenses included stock-based compensation expense of \$672,000 and \$735,000, respectively, in fiscal 2016 and fiscal 2015.

Interest and Other Income (Expense), Net. Interest and other income (expense), net decreased 45.9% from \$388,000 in fiscal 2015 to \$210,000 in fiscal 2016. Interest income decreased by \$17,000 due to lower interest rates received on reduced balances of cash and short-term and long-term investments. A foreign currency exchange gain of \$64,000 in fiscal 2015 compared to a foreign currency exchange loss of \$97,000 in fiscal 2016. The exchange gain or loss in each period was primarily related to our Taiwan branch operations.

Provision (benefit) for Income Taxes. The benefit for income taxes of \$675,000 in fiscal 2015 compared to a benefit of \$641,000 in fiscal 2016. Because we have incurred a cumulative three-year loss on a U.S. tax basis for the year ended March 31, 2016 and the realization of our deferred tax assets is questionable, we recorded a tax provision reflecting a full valuation allowance of \$6.4 million in net deferred tax assets in fiscal 2016.

Net Loss. Net loss decreased from \$5.0 million in fiscal 2015 to \$2.2 million in fiscal 2016. This decrease was primarily due to the changes in net revenues, gross profit and operating expenses discussed above.

Liquidity and Capital Resources

As of March 31, 2017, our principal sources of liquidity were cash, cash equivalents and short-term investments of \$49.9 million compared to \$55.1 million as of March 31, 2016. Cash, cash equivalents and short-term investments totaling \$26.9 million were held in foreign locations as of March 31, 2017.

Net cash provided by operating activities was \$2.1 million for fiscal 2017 compared to \$460,000 for fiscal 2016 and \$1.1 million for fiscal 2015. The primary sources of cash in fiscal 2017 were non-cash stock-based compensation expense of \$1.9 million, depreciation and amortization expense of \$1.5 million and a decrease in accounts receivable of \$1.1 million. The primary uses of cash in fiscal 2017 were an increase in inventories of \$2.6 million, a decrease in accounts payable of \$887,000 and a decrease in deferred revenue of \$534,000. Our inventory balance has increased primarily due to assembling our LLDRAM products to support shipments in the next three to six months as we qualify a new assembly vendor. The primary sources of cash in fiscal 2016 were non-cash stock-based compensation expense of \$1.9 million, depreciation and amortization expense of \$1.5 million and a provision for excess and obsolete inventory of \$1.2 million. The primary uses of cash in fiscal 2016 were a net loss of \$2.2 million, a decrease of \$2.1 million in accrued expenses and other liabilities and a decrease of \$485,000 in deferred revenue. The primary sources of cash in fiscal 2015 were a decrease in prepaid expenses and other assets of \$2.9 million, non-cash stock-based compensation expense of \$2.1 million, depreciation and amortization expense of \$1.6 million and a provision for excess and obsolete inventory of \$1.1 million. The primary uses of cash in fiscal 2015 were a net loss of \$5.0 million, a decrease of \$1.9 million in accounts payable and an increase of \$1.3 million in inventories.

Net cash provided by investing activities was \$4.8 million in fiscal 2017 compared \$935,000 in fiscal 2016 and \$23.2 million in fiscal 2015. Investment activities in fiscal 2017 consisted primarily of the maturity of corporate notes, agency bonds, state and municipal obligations and certificates of deposit of \$23.6 million, partially offset by the purchase of investments of \$18.6 million. Investment activities in fiscal 2016 consisted primarily of the maturity of corporate notes, state and municipal obligations and certificates of deposit of \$23.6 million, partially offset by the purchase of investments of \$14.1 million, our acquisition of MikaMonu for \$4.4 million, restricted cash of \$3.0 million related to amounts held in escrow related to the acquisition and the purchase of property and equipment for \$1.2 million. Investment activities in fiscal 2015 consisted primarily of the sale and maturity of corporate notes and certificates of deposits of \$39.7 million, partially offset by the purchase of investments of \$16.0 million.

Cash used in financing activities in fiscal 2017, fiscal 2016 and in fiscal 2015 included the repurchase of our common stock for a total purchase price of \$7.1 million, \$7.0 million and \$30.0 million, respectively. We repurchased 1,643,441 shares of our common stock at an average price of \$4.33 per share in fiscal 2017. Cash provided by financing activities in fiscal 2017, fiscal 2016 and fiscal 2015 primarily consisted of the net proceeds from the sale of common stock pursuant to our employee stock plans.

At March 31, 2017, we had total minimum lease obligations of approximately \$751,000 from April 1, 2016 through April 30, 2022, under non-cancelable operating leases.

We believe that our existing balances of cash, cash equivalents and short-term investments, and cash flow expected to be generated from our future operations, will be sufficient to meet our cash needs for working capital and capital expenditures for at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time. Our future capital requirements will depend on many factors, including the rate of revenue growth that we experience, the extent to which we utilize subcontractors, the levels of inventory and accounts receivable that we maintain, the timing and extent of spending to support our product development efforts and the expansion of our sales and marketing efforts. Additional capital may also be required for the consummation

of any acquisition of businesses, products or technologies that we may undertake. We cannot assure you that additional equity or debt financing, if required, will be available on terms that are acceptable or at all.

Contractual Obligations

The following table describes our contractual obligations as of March 31, 2017:

	Payments due by period				Total
	Up to 1 year	1 - 3 years	3 - 5 years	More than 5 years	
Facilities and equipment leases.	\$ 279,000	\$ 302,000	\$ 135,000	\$ 35,000	\$ 751,000
Wafer, test and mask purchase obligations.	1,831,000	760,000	—	—	2,591,000
	<u>\$ 2,110,000</u>	<u>\$ 1,062,000</u>	<u>\$ 135,000</u>	<u>\$ 35,000</u>	<u>\$ 3,342,000</u>

As of March 31, 2017, the current portion of our unrecognized tax benefits was \$0, and the long-term portion was \$244,000. We do not expect to make federal income tax payments in the next twelve months, and we are not able to make a reasonably reliable estimate of the timing of such payments due to uncertainties in the timing of tax credit outcomes.

In connection with the acquisition of MikaMonu on November 23, 2015, we are required to make contingent consideration payments to the former MikaMonu shareholders conditioned upon the retention of MikaMonu’s key employee and the achievement of certain product development milestones and revenue targets for products based on the MikaMonu technology. As of March 31, 2017, the accrual for potential payment of contingent consideration was \$6.2 million.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States (“GAAP”) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are inherent in the preparation of the consolidated financial statements and include estimates affecting revenue recognition, obsolete and excess inventory, the valuation allowance on deferred tax assets, stock-based compensation, contingent consideration and the valuation of goodwill. We believe that we consistently apply these judgments and estimates and that our financial statements and accompanying notes fairly represent our financial results for all periods presented. However, any errors in these judgments and estimates may have a material impact on our balance sheet and statement of operations. Critical accounting estimates, as defined by the Securities and Exchange Commission, are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult and subjective judgments and estimates of matters that are inherently uncertain. Our critical accounting estimates include those regarding revenue recognition, the valuation of inventories, taxes, stock-based compensation, contingent consideration and the valuation of goodwill.

Revenue Recognition. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability of the resulting receivable is reasonably assured. Under these criteria, revenue from the sale of our products is generally recognized upon shipment according to our shipping terms, net of accruals for estimated sales returns and allowances based on historical experience. Sales to distributors are made under agreements allowing for returns or credits. We defer recognition of revenue on sales to distributors until products are resold by the distributor to the end-user. Distributors have stock rotation, price protection and ship from stock pricing adjustment rights, and we therefore defer recognition of revenue on sales to distributors until products are resold by the distributor. In light of uncertainties related to the stock rotation rights

and possible changes to sales prices resulting from price protection and price adjustment rights granted, we are unable to reasonably estimate possible changes and the resulting sales price to the distributor is not fixed or determinable until the final sale to the end user. Sales to consignment warehouses, who purchase products from us for use by contract manufacturers, are recorded upon delivery to the contract manufacturers.

The timing of recognizing revenues on product sales to distributors is dependent on receiving pertinent and accurate data from our distributors in a timely fashion. Distributors provide us monthly data regarding the product, price, quantity, and end customer for their shipments as well as the quantities of our products they have in stock at month end. In determining the appropriate amount of revenue to recognize, we use this data in reconciling differences between our estimate of their inventory levels and their reported inventories and shipment activities. If distributors incorrectly report their inventories or shipment activities, it could lead to inaccurate reporting of our revenues and income.

Valuation of Inventories. Inventories are stated at the lower of cost or market value, cost being determined on a weighted average basis. Our inventory write-down allowance is established when conditions indicate that the selling price of our products could be less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. We consider the need to establish the allowance for excess inventory generally based on inventory levels in excess of 12 months of forecasted demand for each specific product. Inventory consists of finished goods at our premises or consignment warehouses, work in progress at our premises or our contract manufacturers and finished goods at distributors and takes into account any uncancellable purchase commitments. Historically, it has been difficult to forecast customer demand especially at the part-number level. Many of the orders we receive from our customers and distributors request delivery of product on relatively short notice and with lead times less than our manufacturing cycle time. In order to provide competitive delivery times to our customers, we build and stock a certain amount of inventory in anticipation of customer demand that may not materialize. Moreover, as is common in the semiconductor industry, we may allow customers to cancel orders with minimal advance notice. Thus, even product built to satisfy specific customer orders may not ultimately be required to fulfill customer demand. Nevertheless, at any point in time, some portion of our inventory is subject to the risk of being materially in excess of our projected demand. Additionally, our average selling prices could decline due to market or other conditions, which creates a risk that costs of manufacturing our inventory may not be recovered. These factors contribute to the risk that we may be required to record additional inventory write-downs in the future, which could be material. In addition, if actual market conditions are more favorable than expected, inventory previously written down may be sold to customers resulting in lower cost of sales and higher income from operations than expected in that period.

Taxes. We account for income taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. We make certain estimates and judgments in the calculation of tax liabilities and the determination of deferred tax assets, which arise from temporary differences between tax and financial statement recognition methods. We record a valuation allowance to reduce our deferred tax assets to the amount that management estimates is more likely than not to be realized. As of March 31, 2017, our net deferred tax assets of \$8.9 million are subject to a full valuation allowance. If, in the future we determine that we are likely to realize all or part of our net deferred tax assets, an adjustment to deferred tax assets would be added to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involves inherent uncertainty in the application of complex tax laws. We record tax reserves for additional taxes that we estimate we may be required to pay as a result of future potential examinations by federal and state taxing authorities. If the payment ultimately proves to be unnecessary, the reversal of these tax reserves would result in tax benefits being recognized in the period we determine such

reserves are no longer necessary. If an ultimate tax assessment exceeds our estimate of tax liabilities, an additional charge to provision for income taxes will result.

Authoritative guidance prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Under this guidance, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values.

Stock-Based Compensation. Under authoritative guidance, stock-based compensation expense recognized in the statement of operations is based on options ultimately expected to vest, reduced by the amount of estimated forfeitures. We chose the straight-line method of allocating compensation cost over the requisite service period of the related award in accordance with the authoritative guidance. We calculated the expected term based on the historical average period of time that options were outstanding as adjusted for expected changes in future exercise patterns, which, for options granted in fiscal 2017, 2016 and 2015, resulted in an expected term of approximately five years. We used our historical volatility to estimate expected volatility in fiscal 2017, 2016 and 2015. The risk-free interest rate is based on the U.S. Treasury yields in effect at the time of grant for periods corresponding to the expected life of the options. The dividend yield is 0%, based on the fact that we have never paid dividends and have no present intention to pay dividends. Determining some of these assumptions requires significant judgment and changes to these assumptions could result in a significant change to the calculation of stock-based compensation in future periods.

Cash flows, if any, resulting from the tax benefits from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) are classified as financing cash flows.

As stock-based compensation expense recognized in the Consolidated Statement of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. We estimate forfeitures at the time of grant and revise the original estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

We have no stock-based compensation arrangements with non-employees except for stock options granted to our non-employee directors.

Contingent Consideration. The fair value of the contingent consideration liability potentially payable in connection with our acquisition of MikaMonu was initially determined as of the acquisition date using unobservable inputs. These inputs included the estimated amount and timing of future cash flows, the probability of success (achievement of the various contingent events) and a risk-adjusted discount rate to adjust the probability-weighted cash flows to their present value. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability will be re-measured at its then current fair value with changes recorded in the Consolidated Statements of Operations. Changes in any of the inputs may result in material adjustments to the recorded fair value.

Valuation of Goodwill.

Goodwill represents the difference between the purchase price and the estimated fair value of the identifiable assets acquired and liabilities assumed in a business combination. We test for goodwill impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset is more likely than not impaired. We have one reporting unit. We assess goodwill for impairment on an annual basis on the last day of February in the fourth quarter of our fiscal year.

As of March 31, 2017, we had a goodwill balance of \$8.0 million. The goodwill resulted from the acquisition of MikaMonu in fiscal 2016.

We utilized a two-step quantitative analysis to complete our annual impairment test during the fourth quarter of fiscal 2017 and concluded that there was no impairment, as the fair value of our sole reporting unit exceeded its carrying value. We determined that the second step of the impairment test was not necessary. We believe that the fair value established during the fiscal 2017 annual goodwill impairment testing was reasonable, and no triggering event has taken place subsequent to the fiscal 2017 annual assessment. However, a sustained decline in our stock price could constitute a triggering event that would require an interim assessment for potential goodwill impairment in fiscal 2018.

Off-Balance Sheet Arrangements

At March 31, 2017, we did not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Accordingly, we are not exposed to the type of financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2017-04, *“Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”*. The standard eliminates the second step in the goodwill impairment test which requires an entity to determine the implied fair value of the reporting unit’s goodwill. Instead, an entity should recognize an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the reporting unit. The standard is effective for annual and interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019, with early adoption permitted. We do not anticipate the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *“Statement of Cash Flows (Topic 230): Restricted Cash”*. ASU 2016-18 requires entities to include in their cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. As a result, companies will no longer present transfers between cash and cash equivalents, and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact this new guidance will have on our consolidated statement of cash flows

In October 2016, the FASB issued ASU 2016-16, *“Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.”* ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs and eliminates the exception for an intra-entity transfer of an asset other than inventory. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods, and is required to be adopted using a modified retrospective approach, with early adoption permitted. We are evaluating the impact of the adoption of this ASU on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *“Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments”*. ASU 2016-15 adds or clarifies guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. The update provides guidance on eight specific cash

flow issues, and is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The amendments to the guidance should be applied using a retrospective transition method for each period presented and if it is impracticable to apply all of the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. We are currently evaluating the impact this new guidance will have on our consolidated statement of cash flows.

In June 2016, the FASB issued ASU 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, we will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted beginning April 1, 2019. Application of the amendments is through a cumulative-effect adjustment to retained earnings as of the effective date. We are currently evaluating the impact of this standard on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *“Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.”* ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This accounting standard update will be effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, and early adoption is permitted. We are currently evaluating the methods and impact of adopting the new accounting standard on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *“Leases (Topic 842).”* The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *“Elements of Financial Statements,”* and, therefore, recognition of those lease assets and lease liabilities represents a change of previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. This ASU is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. Although we are currently evaluating the impact the pronouncement will have on our consolidated financial statements and related disclosures, we expect that most of our operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon adoption.

In January 2016, the FASB issued ASU 2016-01, *“Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.”* ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income and simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The accounting standard update also updates certain presentation and disclosure requirements. This accounting standard update will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is permitted. We are currently evaluating the impact of this accounting standard update on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *“Simplifying the Measurement of Inventory.”* This standard update intends to simplify the subsequent measurement of inventory, excluding inventory accounted for under the

last-in, first-out or the retail inventory methods. The update replaces the current lower of cost or market test with a lower of cost and net realizable value test. Under the current guidance, market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The update is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the impact of this accounting standard on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “*Revenue from Contracts with Customers*.” The new accounting standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The accounting standard is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is permitted for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. ASU No. 2014-09 provides for one of two methods of transition: retrospective application to each prior period presented; or recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. We are currently evaluating the full impact of this new guidance on our consolidated financial statements, including selection of the transition method. However, assuming all other revenue recognition criteria have been met, it is likely that the new guidance would require us to recognize revenue and cost relating to distributor sales upon product delivery, subject to estimated allowance for distributor price adjustments and rights of return. In March, April and May 2016, the FASB issued additional updates to the new revenue standard relating to reporting revenue on a gross versus net basis, identifying performance obligations and licensing arrangements, and narrow-scope improvements and practical expedients, respectively. We are in the process of assessing the impact this additional guidance is expected to have upon adoption.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Foreign Currency Exchange Risk. Our revenues and expenses, except those expenses related to our operations in Israel and Taiwan, including subcontractor manufacturing expenses in Taiwan, are denominated in U.S. dollars. As a result, we have relatively little exposure for currency exchange risks, and foreign exchange losses have been minimal to date. We do not currently enter into forward exchange contracts to hedge exposure denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. In the future, if we believe our foreign currency exposure has increased, we may consider entering into hedging transactions to help mitigate that risk.

Interest Rate Sensitivity. We had cash, cash equivalents, short term investments and long-term investments totaling \$62.8 million at March 31, 2017. These amounts were invested primarily in money market funds, state and municipal obligations, corporate notes, certificates of deposit and agency bonds. The cash, cash equivalents and short-term marketable securities are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. We believe a hypothetical 100 basis point increase in interest rates would not materially affect the fair value of our interest-sensitive financial instruments. Declines in interest rates, however, will reduce future investment income.

Item 8. *Financial Statements and Supplementary Data*

GSI TECHNOLOGY, INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of GSI Technology, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows present fairly, in all material respects, the financial position of GSI Technology, Inc. and its subsidiaries at March 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, California

June 5, 2017

GSI TECHNOLOGY, INC.
CONSOLIDATED BALANCE SHEETS

	March 31,	
	2017	2016
	(In thousands, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	\$ 33,736	\$ 31,963
Short-term investments	16,199	23,149
Accounts receivable, net	6,349	7,478
Inventories	9,211	7,174
Prepaid expenses and other current assets	2,777	2,198
Total current assets	68,272	71,962
Property and equipment, net	7,689	8,653
Long-term investments	12,898	11,148
Goodwill	7,978	8,030
Intangible assets, net	3,302	3,651
Other assets	2,456	3,086
Total assets	\$ 102,595	\$ 106,530
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 1,627	\$ 2,514
Accrued expenses and other liabilities	7,051	4,398
Deferred revenue	1,796	2,330
Total current liabilities	10,474	9,242
Income taxes payable	244	116
Deferred income taxes	15	811
Other accrued expenses	5,418	6,492
Total liabilities	16,151	16,661
Commitments and contingencies (Note 7)		
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: 20,612,757 and 21,716,364 shares, respectively	21	22
Additional paid-in capital	21,830	25,050
Accumulated other comprehensive income (loss)	(62)	27
Retained earnings	64,655	64,770
Total stockholders' equity	86,444	89,869
Total liabilities and stockholders' equity	\$ 102,595	\$ 106,530

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

GSI TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31,		
	2017	2016	2015
	(In thousands, except per share amounts)		
Net revenues	\$ 48,180	\$ 52,736	\$ 53,498
Cost of revenues	21,764	25,999	28,375
Gross profit	26,416	26,737	25,123
Operating expenses:			
Research and development	15,803	12,095	11,917
Selling, general and administrative	11,140	17,663	19,247
Total operating expenses	26,943	29,758	31,164
Loss from operations	(527)	(3,021)	(6,041)
Interest income, net	312	307	324
Other income (expense), net	166	(97)	64
Loss before income taxes	(49)	(2,811)	(5,653)
Provision (benefit) for income taxes	66	(641)	(675)
Net loss	\$ (115)	\$ (2,170)	\$ (4,978)
Net loss per share:			
Basic	\$ (0.01)	\$ (0.10)	\$ (0.20)
Diluted	\$ (0.01)	\$ (0.10)	\$ (0.20)
Weighted average shares used in per share calculations:			
Basic	20,652	22,593	25,029
Diluted	20,652	22,593	25,029

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

GSI TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year Ended March 31,		
	2017	2016	2015
		(In thousands)	
Net loss	\$ (115)	\$ (2,170)	\$ (4,978)
Net unrealized gain (loss) on available-for-sale investments	(89)	1	(7)
Total comprehensive loss	<u>\$ (204)</u>	<u>\$ (2,169)</u>	<u>\$ (4,985)</u>

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

GSI TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2014.	27,561,482	\$ 28	\$ 56,399	\$ 33	\$ 71,918	\$ 128,378
Issuance of common stock under employee stock option plans.	228,665	—	952	—	—	952
Repurchase and retirement of common stock	(4,661,775)	(5)	(30,021)	—	—	(30,026)
Stock-based compensation expense . . .	—	—	2,077	—	—	2,077
Comprehensive loss:						
Net loss.	—	—	—	—	(4,978)	(4,978)
Net unrealized loss on available-for- sale investments	—	—	—	(7)	—	(7)
Total comprehensive loss	—	—	—	—	—	(4,985)
Balance, March 31, 2015.	23,128,372	23	29,407	26	66,940	96,396
Issuance of common stock under employee stock option plans.	199,961	—	818	—	—	818
Repurchase and retirement of common stock	(1,611,969)	(1)	(7,025)	—	—	(7,026)
Stock-based compensation expense . . .	—	—	1,850	—	—	1,850
Comprehensive loss:						
Net loss.	—	—	—	—	(2,170)	(2,170)
Net unrealized gain on available-for- sale investments	—	—	—	1	—	1
Total comprehensive loss	—	—	—	—	—	(2,169)
Balance, March 31, 2016.	21,716,364	22	25,050	27	64,770	89,869
Issuance of common stock under employee stock option plans.	539,834	1	2,013	—	—	2,014
Repurchase and retirement of common stock	(1,643,441)	(2)	(7,110)	—	—	(7,112)
Stock-based compensation expense . . .	—	—	1,877	—	—	1,877
Comprehensive loss:						
Net loss.	—	—	—	—	(115)	(115)
Net unrealized loss on available-for- sale investments	—	—	—	(89)	—	(89)
Total comprehensive loss	—	—	—	—	—	(204)
Balance, March 31, 2017.	20,612,757	\$ 21	\$ 21,830	\$ (62)	\$ 64,655	\$ 86,444

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

GSI TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	2017	2016	2015
	(In thousands)		
Cash flows from operating activities:			
Net loss	\$ (115)	\$ (2,170)	\$ (4,978)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Allowance for sales returns, doubtful accounts and other	4	(3)	(8)
Provision for excess and obsolete inventories	588	1,172	1,067
Depreciation and amortization	1,532	1,459	1,633
Stock-based compensation	1,877	1,850	2,077
Amortization of premium on investments	74	209	593
Changes in assets and liabilities, net of acquisition:			
Accounts receivable	1,125	782	(11)
Inventory	(2,625)	66	(1,294)
Prepaid expenses and other assets	103	102	2,854
Accounts payable	(887)	(441)	(1,915)
Accrued expenses and other liabilities	911	(2,081)	811
Deferred revenue	(534)	(485)	292
Net cash provided by operating activities	2,053	460	1,121
Cash flows from investing activities:			
Purchase of investments	(18,563)	(14,149)	(16,009)
Sales and maturities of short-term investments	23,600	23,585	39,699
Acquisition	—	(4,359)	—
Restricted cash	—	(2,984)	—
Purchases of property and equipment	(219)	(1,158)	(481)
Net cash provided by investing activities	4,818	935	23,209
Cash flows from financing activities:			
Repurchase of common stock	(7,112)	(7,026)	(30,026)
Proceeds from issuance of common stock under employee stock plans	2,014	818	952
Net cash used in financing activities	(5,098)	(6,208)	(29,074)
Net increase (decrease) in cash and cash equivalents	1,773	(4,813)	(4,744)
Cash and cash equivalents at beginning of the period	31,963	36,776	41,520
Cash and cash equivalents at end of the period	\$ 33,736	\$ 31,963	\$ 36,776
Non-cash financing activities:			
Purchases of property and equipment through accounts payable and accruals	\$ —	\$ —	\$ 6
Supplemental cash flow information:			
Net cash paid (received) for income taxes	\$ 1,339	\$ 78	\$ (2,394)

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

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

GSI Technology, Inc. (the “Company”) was incorporated in California in March 1995 and reincorporated in Delaware on June 9, 2004. The Company is a provider of high performance semiconductor memory solutions to networking, industrial, medical, aerospace and military customers. The Company’s products are incorporated primarily in high-performance networking and telecommunications equipment, such as routers, switches, wide area network infrastructure equipment, wireless base stations and network access equipment. In addition, the Company serves the ongoing needs of the military, industrial, test equipment and medical markets for high-performance SRAMs. The Company’s in-place associative computing product, currently under development, is targeted for markets including big data, computer vision and cyber security.

Accounting principles

The consolidated financial statements and accompanying notes were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of consolidation

The consolidated financial statements include the accounts of the Company’s four wholly-owned subsidiaries, GSI Technology Holdings, Inc., GSI Technology (BVI), Inc., GSI Technology Israel Ltd. and GSI Technology Taiwan, Inc. All inter-company transactions and balances have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are inherent in the preparation of the consolidated financial statements and include revenue recognition, obsolete and excess inventory, the valuation allowance on deferred tax assets, stock-based compensation, contingent consideration and the valuation of goodwill. Actual results could differ from those estimates.

Risk and uncertainties

The Company buys all of its SRAM and LLDRAM wafers, integral components of its products, from single suppliers and is also dependent on independent suppliers to assemble and test its products. During the years ended March 31, 2017, 2016 and 2015, all of the wafers used in the Company’s SRAM and LLDRAM products were supplied by Taiwan Semiconductor Manufacturing Company Limited, or TSMC, and Powerchip Technology Corporation, or Powerchip, respectively. If these suppliers fail to satisfy the Company’s requirements on a timely basis at competitive prices, the Company could suffer manufacturing delays, a possible loss of revenues, or higher cost of revenues, any of which could adversely affect operating results.

A majority of the Company’s net revenues come from sales to customers in the networking and telecommunications equipment industry. A decline in demand in this industry could have a material adverse effect on the Company’s operating results and financial condition.

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

Some of the Company's suppliers and the Company's two principal operations are located near fault lines. In the event of a major earthquake or other natural disaster near the facilities of any of these suppliers or the Company, the Company's business could be harmed.

From time to time, the Company is involved in legal actions. See Note 7 for information regarding litigation that was resolved during the year ended March 31, 2016. There are many uncertainties associated with any litigation, and the Company may not prevail. If information becomes available that causes us to determine that a loss in any of our pending litigation, or the settlement of such litigation, is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with GAAP. However, the actual liability in any such litigation may be materially different from our estimates, which could require us to record additional costs.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability of the resulting receivable is reasonably assured. Under these criteria, revenue from the sale of products is generally recognized upon shipment according to the Company's shipping terms, net of accruals for estimated sales returns and allowances based on historical experience. Sales to distributors are made under agreements allowing for returns or credits. Distributors have stock rotation, price protection and ship from stock pricing adjustment rights and the Company therefore defers recognition of revenue on sales to distributors until products are resold by the distributor. In light of possible changes to sales prices resulting from price protection and price adjustment rights granted, sales prices to the distributor are not fixed or determinable until the final sale to the end user. For sales to consignment warehouses, who purchase products from the Company for use by contract manufacturers, revenues are recognized upon delivery to the contract manufacturer.

Cash and cash equivalents

Cash and cash equivalents include cash in demand accounts and highly liquid investments purchased with an original or remaining maturity of three months or less at the date of purchase, stated at cost, which approximates their fair value.

Short-term and long-term investments

All of the Company's short-term and long-term investments are classified as available-for-sale. Available-for-sale debt securities with maturities greater than twelve months are classified as long-term investments when they are not intended for use in current operations. Investments in available-for-sale securities are reported at fair value with unrecognized gains (losses), net of tax, as a component of "Accumulated other comprehensive income (loss)" on the Consolidated Balance Sheets. The Company monitors its investments for impairment periodically and records appropriate reductions in carrying values when the declines in fair value are determined to be other-than-temporary.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, cash equivalents, short-term and long-term investments and accounts receivable. The Company places its cash primarily in checking, certificate of deposit, and money market accounts with reputable financial institutions, and by policy, limits the amount of credit exposure with any one financial institution or commercial issuer. The Company's accounts receivable are derived primarily from revenue earned from customers located in the U.S. and Asia. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The Company maintains an allowance for doubtful accounts receivable based upon the expected collectability of accounts receivable. There were no write offs of accounts receivable in the years ended March 31, 2017, 2016 or 2015.

At March 31, 2017, four customers accounted for 36%, 26%, 13%, and 10% of accounts receivable, and for the year then ended, four customers accounted for 26%, 20%, 20% and 10% of net revenues. At March 31, 2016, four customers accounted for 26%, 25%, 13%, and 11% of accounts receivable, and for the year then ended, four customers accounted for 28%, 16%, 14% and 13% of net revenues. For the year ended March 31, 2015, three customers accounted for 35%, 13% and 12% of net revenues.

Inventories

Inventories are stated at the lower of cost or market value, cost being determined on a weighted average basis. Inventory write-down allowances are established when conditions indicate that the selling price could be less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. These allowances, once recorded, result in a new cost basis for the related inventory. These allowances are also considered for excess inventory generally based on inventory levels in excess of 12 months of forecasted demand, as estimated by management, for each specific product. The allowance is not reversed until the inventory is sold or disposed of.

The Company recorded write-downs of excess and obsolete inventories of \$588,000, \$1.2 million and \$1.1 million, respectively, in fiscal 2017, 2016 and 2015.

Property and equipment, net

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as presented below:

Software	3 to 5 years
Computer and other equipment	5 to 10 years
Building and building improvements	10 to 25 years
Furniture and fixtures	7 years

Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the remaining lease term of the respective assets. Gains or losses on disposals of property and equipment are recorded within income from operations. Costs of repairs and maintenance are included as part of operating expenses unless they are incurred in relation to major improvements to existing property and equipment, at which time they are capitalized.

Impairment of long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. If the sum of the expected future cash flows

(undiscounted and before interest) from the use of the assets is less than the net book value of the asset an impairment could exist and the amount of the impairment loss, if any, will generally be measured as the difference between the net book value of the assets and their estimated fair values. There were no impairment losses recognized during the years ended March 31, 2017, 2016 or 2015.

Goodwill and intangible assets

Goodwill is not amortized but is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

The Company assesses goodwill for impairment on an annual basis on the last day of February in the fourth quarter of its fiscal year and if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. The Company has one reporting unit. In accordance with ASU 2011-08, *Testing Goodwill for Impairment*, qualitative factors can be assessed to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required.

Intangible assets with finite useful lives are amortized over their estimated useful lives, generally on a straight-line basis over five to fifteen years. The Company reviews identifiable amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value.

Research and development

Research and development expenses are related to new product designs, including, salaries, stock-based compensation, contractor fees, and allocation of corporate costs and are charged to the statement of operations as incurred.

Income taxes

The Company accounts for income taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when it is more likely than not that the deferred tax asset will not be realized. Because the Company recorded a cumulative three-year loss on a U.S. tax basis for the year ended March 31, 2017 and 2016, the Company has recorded a tax provision reflecting a full valuation allowance of its \$8.9 million and \$6.4 million of net deferred tax assets at March 31, 2017 and 2016, respectively.

Authoritative guidance prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Under the guidance, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or

litigation process, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

Shipping and handling costs

The Company records costs related to shipping and handling in cost of revenues.

Advertising expense

Advertising costs are charged to expense in the period incurred. Advertising expense was not material for the years ended March 31, 2017, 2016, and 2015, respectively.

Foreign currency transactions

The U.S. dollar is the functional currency for all of the Company's foreign operations. Foreign currency transaction gains and losses, resulting from transactions denominated in currencies other than U.S. dollars are included in the Consolidated Statements of Operations. These gains and losses were not material for the years ended March 31, 2017, 2016 or 2015.

Segments

The Company operates as one segment for the design, development and sale of integrated circuits.

Accounting for stock-based compensation

Stock-based compensation expense recognized in the Consolidated Statement of Operations is based on options ultimately expected to vest, reduced by the amount of estimated forfeitures. The Company chose the straight-line method of allocating compensation cost over the requisite service period of the related award according to authoritative guidance. The Company calculates the expected term based on the historical average period of time that options were outstanding as adjusted for expected changes in future exercise patterns, which, for options granted in fiscal 2017, 2016 and 2015 resulted in an expected term of approximately five years. Starting in fiscal 2013, the Company uses its historical volatility to estimate expected volatility. The risk-free interest rate is based on the U.S. Treasury yields in effect at the time of grant for periods corresponding to the expected life of the options. The dividend yield is 0%, based on the fact that the Company has never paid dividends and has no present intention to pay dividends. Changes to these assumptions may have a significant impact on the results of operations.

Authoritative guidance requires cash flows, if any, resulting from the tax benefits from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows in the Consolidated Statements of Cash Flows.

Comprehensive loss

Comprehensive income (loss) is defined to include all changes in stockholders' equity during a period except those resulting from investments by owners and distributions to owners. For the years ended March 31, 2017, 2016 and 2015, comprehensive loss was \$204,000, \$2,169,000 and \$4,985,000, respectively.

Business combinations

The Company allocates the fair value of the purchase consideration of its acquisitions to the tangible assets, liabilities, and intangible assets acquired, based on their estimated fair values. Goodwill represents the excess of

acquisition cost over the fair value of tangible and identified intangible net assets of businesses acquired. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired company are reflected in the Company's consolidated financial statements after the closing date of the business combination. See Note 11 for additional information related to the acquisition of MikaMonu Group Ltd. in fiscal 2016.

Recent accounting pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-04, "*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*". The standard eliminates the second step in the goodwill impairment test which requires an entity to determine the implied fair value of the reporting unit's goodwill. Instead, an entity should recognize an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the reporting unit. The standard is effective for annual and interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company does not anticipate the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*". ASU 2016-18 requires entities to include in their cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. As a result, companies will no longer present transfers between cash and cash equivalents, and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact this new guidance will have on its consolidated statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, "*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*." ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs and eliminates the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for annual and interim periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods, and is required to be adopted using a modified retrospective approach, with early adoption permitted. The Company is evaluating the impact of the adoption of this ASU on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*". ASU 2016-15 adds or clarifies guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. The amendments in the update provide guidance on eight specific cash flow issues, and are effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The amendments to the guidance should be applied using a retrospective transition method for each period presented and, if it is impracticable to apply all of the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently evaluating the impact this new guidance will have on its consolidated statement of cash flows.

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans, and other financial instruments, the Company will be required to use a forward-looking expected

loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted beginning April 1, 2019. Application of the amendments is through a cumulative-effect adjustment to retained earnings as of the effective date. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *“Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.”* ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This accounting standard update will be effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, and early adoption is permitted. The Company is currently evaluating the methods and impact of adopting the new accounting standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *“Leases (Topic 842).”* The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *“Elements of Financial Statements,”* and, therefore, recognition of those lease assets and lease liabilities represents a change of previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. This ASU is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. Although the Company is currently evaluating the impact the pronouncement will have on its consolidated financial statements and related disclosures, the Company expects that most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon adoption.

In January 2016, the FASB issued ASU 2016-01, *“Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.”* ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income and simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The accounting standard update also updates certain presentation and disclosure requirements. This accounting standard update will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *“Simplifying the Measurement of Inventory.”* This standard update intends to simplify the subsequent measurement of inventory, excluding inventory accounted for under the last-in, first-out or the retail inventory methods. The update replaces the current lower of cost or market test with a lower of cost and net realizable value test. Under the current guidance, market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The update is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of this accounting standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *“Revenue from Contracts with Customers.”* The new accounting standard outlines a single comprehensive model for entities to use in accounting for revenue arising from

contracts with customers and supersedes most current revenue recognition guidance. The accounting standard is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is permitted for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. ASU No. 2014-09 provides for one of two methods of transition: retrospective application to each prior period presented; or recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. The Company is currently evaluating the full impact of this new guidance on its consolidated financial statements, including selection of the transition method. However, assuming all other revenue recognition criteria have been met, it is likely that the new guidance would require the Company to recognize revenue and cost relating to distributor sales upon product delivery, subject to estimated allowance for distributor price adjustments and rights of return. In March, April and May 2016, the FASB issued additional updates to the new revenue standard relating to reporting revenue on a gross versus net basis, identifying performance obligations and licensing arrangements, and narrow-scope improvements and practical expedients, respectively. The Company is in the process of assessing the impact this additional guidance is expected to have upon adoption.

NOTE 2—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:

	Year Ended March 31,		
	2017	2016	2015
	(In thousands, except per share amounts)		
Net loss.....	\$ (115)	\$ (2,170)	\$ (4,978)
Denominators:			
Weighted average shares—Basic.....	20,652	22,593	25,029
Dilutive effect of employee stock options.....	—	—	—
Dilutive effect of employee stock purchase plan options.....	—	—	—
Weighted average shares—Dilutive.....	20,652	22,593	25,029
Net loss per common share—Basic.....	\$ (0.01)	\$ (0.10)	\$ (0.20)
Net loss per common share—Diluted.....	\$ (0.01)	\$ (0.10)	\$ (0.20)

The following shares of common stock (determined on a weighted average basis) were excluded from the computation of diluted net loss per common share as they had an anti-dilutive effect:

	Year Ended March 31,		
	2017	2016	2015
	(In thousands)		
Shares underlying options and ESPP shares.....	5,483	5,407	3,851

	<u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
(In thousands)		
Other assets:		
Escrow deposit	\$ 1,750	\$ 2,984
Non-current deferred income taxes	22	—
Prepaid income taxes	552	—
Deposits	132	102
	<u>\$ 2,456</u>	<u>\$ 3,086</u>

The following table summarizes the components of intangible assets and related accumulated amortization balances at March 31, 2017 and 2016, respectively (in thousands):

	<u>As of March 31, 2017</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated amortization</u>	<u>Net Carrying Amount</u>
Intangible assets:			
Product designs	\$ 590	\$ (590)	\$ —
Patents	4,220	(918)	3,302
Software	80	(80)	—
Total	<u>\$ 4,890</u>	<u>\$ (1,588)</u>	<u>\$ 3,302</u>

	<u>As of March 31, 2016</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Intangible assets:			
Product designs	\$ 590	\$ (555)	\$ 35
Patents	4,220	(604)	3,616
Software	80	(80)	—
Total	<u>\$ 4,890</u>	<u>\$ (1,239)</u>	<u>\$ 3,651</u>

Amortization of intangible assets of \$349,000, \$242,000 and \$171,000 was included in cost of revenues for the years ended March 31, 2017, 2016 and 2015, respectively.

As of March 31, 2017, the estimated future amortization expense of intangible assets in the table above is as follows (in thousands):

<u>Twelve month period ending March 31,</u>	
2018	\$ 313
2019	267
2020	234
2021	233
2022	233
Thereafter	2,022
Total	<u>\$ 3,302</u>

	<u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
	(In thousands)	
Accrued expenses and other liabilities:		
Accrued compensation	\$ 3,990	\$ 3,082
Escrow indemnity accrual.	484	—
Accrued professional fees.	66	83
Accrued commissions	238	284
Contingent consideration	1,117	—
Accrued retention payment.	251	—
Miscellaneous accrued expenses	905	949
	<u>\$ 7,051</u>	<u>\$ 4,398</u>

	<u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
	(In thousands)	
Other accrued expenses:		
Contingent consideration	\$ 5,083	\$ 5,856
Escrow indemnity accrual.	—	484
Other long-term accrued liabilities.	335	152
	<u>\$ 5,418</u>	<u>\$ 6,492</u>

NOTE 4—GOODWILL

Goodwill represents the difference between the purchase price and the estimated fair value of the identifiable assets acquired and liabilities assumed in a business combination. The Company tests for goodwill impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset is more likely than not impaired. The Company has one reporting unit. The Company assesses goodwill for impairment on an annual basis on the last day of February in the fourth quarter of its fiscal year.

The Company had a goodwill balance of \$8.0 million as of both March 31, 2017 and 2016. The goodwill resulted from the acquisition of MikaMonu Group Ltd. (“MikaMonu”) in fiscal 2016. The slight reduction in goodwill at March 31, 2017 was due to additional pre-acquisition tax liabilities identified in the amount of \$52,000.

The Company utilized a two-step quantitative analysis to complete its annual impairment test during the fourth quarter of fiscal 2017 and concluded that there was no impairment, as the fair value of its sole reporting unit exceeded its carrying value. The Company determined that the second step of the impairment test was not necessary. The Company believes that the fair value established during the fiscal 2017 annual goodwill impairment testing was reasonable, and no triggering event has taken place subsequent to the fiscal 2017 annual assessment.

NOTE 5—INCOME TAXES

Loss before income taxes and the provision (benefit) for income taxes consists of the following:

	Year Ended March 31,		
	2017	2016	2015
	(In thousands)		
Loss before income taxes:			
U.S.	\$ (4,938)	\$ (3,426)	\$ (6,910)
Foreign	4,889	615	1,257
	<u>\$ (49)</u>	<u>\$ (2,811)</u>	<u>\$ (5,653)</u>
Current income tax expense (benefit):			
U.S. federal	\$ (14)	\$ (354)	\$ (619)
Foreign	736	15	(2)
State	4	(289)	(54)
	<u>726</u>	<u>(628)</u>	<u>(675)</u>
Deferred income tax expense (benefit):			
U.S. federal	14	(3)	—
Foreign	(674)	(10)	—
	<u>(660)</u>	<u>(13)</u>	<u>—</u>
Provision (benefit) for income taxes	<u>\$ 66</u>	<u>\$ (641)</u>	<u>\$ (675)</u>

The provision (benefit) for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory income tax rate to pre-tax loss as follows:

	Year Ended March 31,		
	2017	2016	2015
	(In thousands)		
U.S. Federal taxes at statutory rate	\$ (17)	\$ (956)	\$ (1,922)
State taxes, net of federal benefit	3	(204)	(39)
Stock-based compensation	630	470	447
Tax credits	(398)	(539)	(472)
Foreign tax rate differential	(1,525)	(368)	(916)
Tax exempt interest	(5)	(9)	(20)
Non-deductible expenses and other	24	6	(35)
	<u>(1,288)</u>	<u>(1,600)</u>	<u>(2,957)</u>
Valuation allowance	1,354	959	2,282
	<u>\$ 66</u>	<u>\$ (641)</u>	<u>\$ (675)</u>

Deferred tax assets and deferred tax liabilities consist of the following:

	March 31,	
	<u>2017</u>	<u>2016</u>
	(In thousands)	
Deferred tax assets:		
Deferred revenue	\$ 330	\$ 231
Tax credits	3,387	2,706
Net operating losses	2,264	1,356
Stock-based compensation	1,386	1,550
Property and equipment	425	297
Other reserves and accruals	<u>1,167</u>	<u>1,175</u>
Total deferred tax assets	<u>\$ 8,959</u>	<u>\$ 7,315</u>
Deferred tax liabilities:		
Intangible assets	\$ (13)	\$ (856)
Unrecognized gains	<u>—</u>	<u>(14)</u>
Total deferred tax liabilities	<u>\$ (13)</u>	<u>\$ (870)</u>
Net deferred tax assets	\$ 8,946	\$ 6,445
Valuation allowance	<u>(8,939)</u>	<u>(7,256)</u>
Net deferred tax asset (liability)	<u>\$ 7</u>	<u>\$ (811)</u>

U.S. income taxes and withholding taxes have not been provided on a cumulative total of \$45.0 million of undistributed earnings for certain non-U.S. subsidiaries. The Company currently intends to indefinitely reinvest these earnings in operations outside the United States. No provision has been made for taxes that might be payable upon remittance of such earnings, nor is it practicable to determine the amount of such potential liability.

The long-term portion of the Company's unrecognized tax benefits at March 31, 2017 and 2016 was \$244,000 and \$116,000, respectively, of which the timing of the resolution is uncertain. As of March 31, 2017 and 2016, \$2,481,000 and \$1,943,000, respectively, of unrecognized tax benefits had been recorded as a reduction to net deferred tax assets. As of March 31, 2017, the Company's net deferred tax assets of \$8.9 million are subject to a valuation allowance. It is possible, however, that some months or years may elapse before an uncertain position for which the Company has established a reserve is resolved. A reconciliation of unrecognized tax benefits is as follows:

	Year Ended March 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(In thousands)		
Unrecognized tax benefits, beginning of period	\$ 2,055	\$ 1,982	\$ 2,386
Additions based on tax positions related to current year	730	453	292
Additions based on tax positions related to prior years	—	183	—
Settlements during the current year	—	—	—
Lapses during the current year applicable to statutes of limitations	<u>(71)</u>	<u>(563)</u>	<u>(696)</u>
Unrecognized tax benefits, end of period	<u>\$ 2,714</u>	<u>\$ 2,055</u>	<u>\$ 1,982</u>

The unrecognized tax benefit balance as of March 31, 2017 of \$233,000 would affect the Company's effective tax rate if recognized.

Management believes that within the next twelve months the Company will have no reduction in uncertain tax benefits, including interest and penalties, as a result of the lapse of statute of limitations.

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

The Company is subject to taxation in the United States and various state and foreign jurisdictions. As of March 31, 2017, the Company maintained a valuation allowance of \$8.9 million for deferred tax assets that are not expected to be utilized in future years. Fiscal years 2013 through 2017 remain open to examination by the federal tax authorities and fiscal years 2011 through 2017 remain open to examination by the state of California.

NOTE 6—FINANCIAL INSTRUMENTS

Fair value measurements

Authoritative accounting guidance for fair value measurements provides a framework for measuring fair value and related disclosure. The guidance applies to all financial assets and financial liabilities that are measured on a recurring basis. The guidance requires fair value measurement to be classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets and liabilities. The fair value of available-for-sale securities included in the Level 1 category is based on quoted prices that are readily and regularly available in an active market. As of March 31, 2017, the Level 1 category included money market funds of \$6.3 million, which were included in cash and cash equivalents on the Consolidated Balance Sheets.

Level 2: Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. The fair value of available-for-sale securities included in the Level 2 category is based on the market values obtained from an independent pricing service that were evaluated using pricing models that vary by asset class and may incorporate available trade, bid and other market information and price quotes from well-established independent pricing vendors and broker-dealers. As of March 31, 2017, the Level 2 category included short-term investments of \$16.2 million and long term-investments of \$12.9 million, which were primarily comprised of certificates of deposit, corporate debt securities and government and agency securities.

Level 3: Valuations based on inputs that are unobservable and involve management judgment and the reporting entity's own assumptions about market participants and pricing. As of March 31, 2017, the Company's Level 3 financial instruments measured at fair value on the Consolidated Balance Sheets consisted of the contingent consideration liability related to the MikaMonu acquisition. Refer to Note 11, "Acquisition" for more information.

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

	March 31, 2017	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)
Assets:				
Money market funds	\$ 6,293	\$ 6,293	\$ —	\$ —
Marketable securities	29,097	—	29,097	—
Total	<u>\$ 35,390</u>	<u>\$ 6,293</u>	<u>\$ 29,097</u>	<u>\$ —</u>

	March 31, 2016	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets and Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Assets:				
Money market funds	\$ 6,611	\$ 6,611	\$ —	\$ —
Marketable securities	34,297	—	34,297	—
Total	<u>\$ 40,908</u>	<u>\$ 6,611</u>	<u>\$ 34,297</u>	<u>\$ —</u>

Short-term and long-term investments

All of the Company's short-term and long-term investments are classified as available-for-sale. Available-for-sale debt securities with maturities greater than twelve months are classified as long-term investments when they are not intended for use in current operations. Investments in available-for-sale securities are reported at fair value with unrecognized gains (losses), net of tax, as a component of accumulated other comprehensive income (loss) on the Consolidated Balance Sheets. The Company had money market funds of \$6.3 million and \$6.6 million at March 31, 2017 and March 31, 2016, respectively, included in cash and cash equivalents on the Consolidated Balance Sheets. The Company monitors its investments for impairment periodically and records appropriate reductions in carrying values when the declines are determined to be other-than-temporary.

The following table summarizes the Company's available-for-sale investments:

	March 31, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Short-term investments:				
Corporate notes	\$ 557	\$ —	\$ (2)	\$ 555
Certificates of deposit	10,000	9	(3)	10,006
Foreign government obligations	1,001	—	(1)	1,000
State and municipal obligations	1,632	1	—	1,633
Agency bonds	3,012	—	(7)	3,005
Total short-term investments	<u>\$ 16,202</u>	<u>\$ 10</u>	<u>\$ (13)</u>	<u>\$ 16,199</u>
Long-term investments:				
Certificates of deposit	\$ 7,500	\$ 3	\$ (39)	\$ 7,464
Foreign government obligations	5,442	—	(8)	5,434
Total long-term investments	<u>\$ 12,942</u>	<u>\$ 3</u>	<u>\$ (47)</u>	<u>\$ 12,898</u>

	March 31, 2016			
	Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
(In thousands)				
Short-term investments:				
State and municipal obligations	\$ 1,011	\$ —	\$ —	\$ 1,011
Corporate notes	5,680	—	(4)	5,676
Agency bonds	2,001	1	—	2,002
Foreign government obligations	2,695	3	—	2,698
Certificates of deposit	11,750	12	—	11,762
Total short-term investments	<u>\$ 23,137</u>	<u>\$ 16</u>	<u>\$ (4)</u>	<u>\$ 23,149</u>
Long-term investments:				
Corporate notes	\$ 558	\$ 1	\$ —	\$ 559
Certificates of deposit	8,500	24	(1)	8,523
Agency bonds	1,000	4	—	1,004
Foreign government obligations	1,060	1	—	1,061
Total long-term investments	<u>\$ 11,118</u>	<u>\$ 30</u>	<u>\$ (1)</u>	<u>\$ 11,147</u>

The Company's investment portfolio consists of both corporate and governmental securities that have a maximum maturity of three years. All unrealized gains and losses are due to changes in interest rates and bond yields. Subject to normal credit risks, the Company has the ability to realize the full value of all these investments upon maturity.

At March 31, 2017, the deferred tax asset related to unrecognized gains and losses on short-term and long-term investments was \$17,000. At March 31, 2016, the deferred tax liability related to unrecognized gains and losses on short-term and long-term investments was \$14,000.

As of March 31, 2017, contractual maturities of the Company's available-for-sale investments were as follows:

	Cost	Fair Value
(In thousands)		
Maturing within one year	\$ 16,202	\$ 16,199
Maturing in one to three years	12,942	12,898
	<u>\$ 29,144</u>	<u>\$ 29,097</u>

NOTE 7—COMMITMENTS AND CONTINGENCIES

Operating leases

The Company leases office space and equipment under noncancelable operating leases with various expiration dates through April 2022. Rent expense for the years ended March 31, 2017, 2016 and 2015 was \$504,000, \$348,000 and \$354,000, respectively. The terms of the facility leases provide for rental payments on a graduated scale. The Company recognizes rent expense on a straight-line basis over the lease period, and has accrued for rent expense incurred but not paid.

Future minimum lease payments under noncancelable operating leases with remaining lease terms in excess of one year at March 31, 2017 are as follows:

Fiscal Year Ending March 31,	Operating Leases
	(In thousands)
2018	\$ 279
2019	195
2020	108
2021	80
2022	54
Thereafter	35
Total	\$ 751

Royalty obligations

The Company has license agreements that require it to pay royalties on the sale of products using the licensed technology. Royalty expense for the years ended March 31, 2017, 2016 and 2015 was \$35,000, \$44,000 and \$53,000, respectively, and was included within cost of revenues.

Indemnification obligations

The Company is a party to a variety of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters. Typically, these obligations arise in the context of contracts entered into by the Company, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants related to such matters as title to assets sold and certain intellectual property rights. In each of these circumstances, payment by the Company is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claims. Further, the Company's obligations under these agreements may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments made by it under these agreements.

It is not possible to predict the maximum potential amount of future payments under these or similar agreements due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material effect on its business, financial condition, cash flows or results of operations. The Company believes that if it were to incur a loss in any of these matters, such loss should not have a material effect on its business, financial condition, cash flows or results of operations.

Product warranties

The Company warrants its products to be free of defects generally for a period of three years. The Company estimates its warranty costs based on historical warranty claim experience and includes such costs in cost of revenues. Warranty costs and the accrued warranty liability were not material as of March 31, 2017 and 2016 and for the years ended March 31, 2017, 2016 or 2015.

Legal proceedings

In March 2011, Cypress Semiconductor Corporation, a semiconductor manufacturer, filed a lawsuit against the Company in the United States District Court for the District of Minnesota alleging that certain of the Company's SRAM products infringe patents held by Cypress. The complaint sought unspecified damages for past infringement and a permanent injunction against future infringement.

On June 10, 2011, Cypress filed a complaint against the Company with the United States International Trade Commission (the "ITC"). The ITC complaint, as subsequently amended, alleged infringement by the Company of certain patents involved in the District Court case and one additional patent and also alleged infringement by certain of the Company's distributors and customers who allegedly incorporate the Company's SRAMs in their products. The ITC complaint sought a limited exclusion order excluding the allegedly infringing SRAMs, and products containing them, from entry into the United States and permanent orders directing the Company and the other respondents to cease and desist from selling or distributing such products in the United States. On July 21, 2011, the ITC formally instituted an investigation in response to Cypress's complaint. On June 7, 2013, the full Commission affirmed a determination that GSI's SRAM devices, and products containing them, do not infringe the Cypress patents and that Cypress had failed to establish existence of a domestic industry that practices the patents. Moreover, the Commission reversed a portion of an earlier determination with respect to the validity of the patents, finding the asserted claims of one of the patents to have been anticipated by prior art and, therefore, invalid. The Commission ordered the investigation terminated, and Cypress did not appeal the ruling.

The Minnesota District Court case had been stayed pending the conclusion of the ITC proceeding. Following the termination of the ITC investigation, the stay was lifted. On May 1, 2013, Cypress filed an additional lawsuit in the United States District Court for the Northern District of California alleging infringement by the Company's products of five additional Cypress patents. Like the Minnesota case, the complaint in the California lawsuit sought unspecified damages for past infringement and a permanent injunction against future infringement. The Company filed answers in both cases denying liability and asserting affirmative defenses. The parties then stipulated that the claims in the Minnesota case with respect to some of the asserted patents would be dismissed without prejudice and that the claims with respect to the remaining patents would be transferred to the Northern District of California and consolidated with the pending California case. On August 20, 2013, the Court in the California case ordered the cases consolidated.

The Company did not record any loss contingency during fiscal 2015 or fiscal 2016 in connection with these legal proceedings as the Company was unable to predict their outcome and could not estimate the likelihood or potential dollar amount of any adverse results.

On May 6, 2015, the Company and Cypress entered into a settlement agreement to resolve the patent infringement litigation and a separate lawsuit pending in the United States District Court for the Northern District of California in which the Company alleged that Cypress had violated federal and state antitrust laws. Under the settlement agreement:

- Each of the parties agreed to dismiss its lawsuit with prejudice in consideration of the dismissal with prejudice of the lawsuit brought by the other party; and
- Each party agreed to release all claims against the other with respect to issues raised in the two lawsuits.

The parties agreed that the settlement agreement was entered into to resolve disputed claims, and that each party denies any liability to the other party.

NOTE 8—COMMON STOCK

The Company's Certificate of Incorporation, as amended, authorizes the Company to issue 150,000,000 shares of \$0.001 par value common stock.

On August 6, 2014, the Company completed a modified "Dutch auction" self-tender offer to repurchase for cash shares of its common stock. The Company accepted for purchase and retirement an aggregate of 3,846,153 shares of its common stock at a final purchase price of \$6.50 per share, for an aggregate cost of approximately \$25 million, excluding fees and expenses related to the tender offer.

The Company's board of directors has authorized the repurchase, at management's discretion, of shares of its common stock. Under the repurchase program, the Company may repurchase shares from time to time on the open market or in private transactions. The specific timing and amount of the repurchases will be dependent on market conditions, securities law limitations and other factors. The repurchase program may be suspended or terminated at any time without prior notice. Through March 31, 2017, including the shares purchased in the modified "Dutch Auction" self-tender offer, the Company has repurchased and retired a total of 11,983,942 shares at an average cost of \$5.06 per share for a total cost of \$60.6 million. At March 31, 2017, management was authorized to repurchase additional shares with a value of up to \$4.4 million under the repurchase program.

NOTE 9—STOCK- BASED COMPENSATION

The 2007 Equity Incentive Plan

In January 2007, the Company's board of directors approved the 2007 Equity Incentive Plan, (the "2007 Plan"), which was subsequently approved by the Company's stockholders in March 2007. A total of 3,000,000 shares of common stock were authorized and reserved for issuance under the 2007 Plan. This reserve automatically increased on April 1 of each year through 2017 by an amount equal to the smaller of (a) five percent of the number of shares of common stock issued and outstanding on the immediately preceding March 31, or (b) a lesser amount determined by the board of directors. As described below, the 2007 Plan was terminated in August 2016 and no further awards may be granted pursuant to the 2007 Plan. In the event of a stock split or other change in the Company's capital structure, appropriate adjustments will be made in the number of outstanding awards to prevent dilution or enlargement of participants' rights.

Awards could be granted under the 2007 Plan to the Company's employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. Options granted to non-officer employees generally vest at the rate of 25% on the first anniversary and subsequent anniversaries of the date of grant, while grants to officers vest in full four years after the anniversary date of the officer's employment that is closest to the date of grant.

In the event of a change in control as described in the 2007 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2007 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The administrator may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all nonemployee director awards will automatically be accelerated in full. The 2007 Plan also authorizes the administrator, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each vested share subject to the cancelled award of an amount equal to the excess of the

consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

The 2016 Equity Incentive Plan

In June 2016, the Company's board of directors approved the 2016 Equity Incentive Plan, (the "2016 Plan"), which was subsequently approved by the Company's stockholders in August 2016. In connection with the stockholders' approval of the 2016 Plan, 6,000,000 shares available for future award under the 2007 Plan were transferred to the 2016 Plan, 705,699 shares available for grant under the 2007 plan were canceled and the 2007 Plan was terminated. The Company granted options under the 2007 Plan until August 2016, although it continues to govern the terms of options that remain outstanding under the 2007 Plan.

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

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

To enable compensation provided in connection with certain types of awards intended to qualify as "performance-based" within the meaning of Section 162(m) of the Internal Revenue Code, the 2016 Plan establishes limits on the maximum aggregate number of shares or dollar value for which awards may be granted to an employee in any fiscal year, as follows:

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

Awards may be granted under the 2016 Plan to the Company's employees, including officers, directors and consultants or those of any present or future parent or subsidiary corporation or other affiliated entity of the

Company. To date, options granted to non-officer employees generally vest 25% on the first anniversary and subsequent anniversaries of the date of grant, while grants to officers vest in full four years after the anniversary date of the officer's employment that is closest to the date of grant.

While the Company may grant incentive stock options only to employees, the Company may grant nonstatutory stock options, stock appreciation rights, restricted stock and stock units, performance shares and units, other stock-based awards and cash-based awards to any eligible participant. Non-employee director awards may be granted only to members of the Company's board of directors who, at the time of grant, are not employees.

Only members of the board of directors who are not employees at the time of grant are eligible to participate in the nonemployee director awards component of the 2016 Plan. The board or the compensation committee shall set the amount and type of nonemployee director awards to be awarded on a periodic, non-discriminatory basis. Nonemployee director awards may be granted in the form of NSOs, stock appreciation rights, restricted stock awards and restricted stock unit awards. Subject to adjustment for changes in the Company's capital structure, no nonemployee director may be awarded, in any fiscal year, one or more nonemployee director awards for more than a number of shares determined by dividing \$150,000 by the fair market value of a share of the Company's stock determined on the last trading day immediately preceding the date on which the applicable nonemployee award is granted.

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

In the event of a change in control as described in the 2016 Plan, the surviving, continuing, successor or purchasing entity or its parent may, without the consent of any participant, either assume or continue outstanding awards or substitute substantially equivalent awards for its stock. If so determined by the Committee, stock-based awards will be deemed assumed if, for each share subject to the award prior to the change in control, its holder is given the right to receive the same amount of consideration that a stockholder would receive as a result of the change in control. Any awards which are not assumed or continued in connection with a change in control or exercised or settled prior to the change in control will terminate effective as of the time of the Change in Control. The administrator may provide for the acceleration of vesting or settlement of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all nonemployee director awards will automatically be accelerated in full. The 2016 Plan also authorizes the administrator, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares of stock upon a change in control in exchange for a payment to the participant with respect each vested share (and each unvested share if so determined by the administrator) subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise or purchase price per share, if any, under the award.

The 2007 Employee Stock Purchase Plan

In January 2007, the board of directors approved the 2007 Employee Stock Purchase Plan (the "2007 Purchase Plan") which was subsequently approved by the Company's stockholders in March 2007. A total of 500,000 shares of the Company's common stock was authorized and reserved for sale under the 2007 Purchase Plan. In addition, the 2007 Purchase Plan provides for an automatic annual increase in the number of shares available for issuance

under the plan on April 1 of each year beginning in 2008 and continuing through and including April 1, 2017 equal to the lesser of (1) one percent of the number of issued and outstanding shares of common stock on the immediately preceding March 31, (2) 250,000 shares or (3) a number of shares as the board of directors may determine. Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are canceled will again become available for issuance under the 2007 Purchase Plan.

The Company's employees and employees of any parent or subsidiary corporation designated by the administrator will be eligible to participate in the 2007 Purchase Plan if they are customarily employed by us for more than 20 hours per week and more than five months in any calendar year. However, an employee may not be granted a right to purchase stock under the 2007 Purchase Plan if: (1) the employee immediately after such grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock or of any parent or subsidiary corporation, or (2) the employee's rights to purchase stock under all of our employee stock purchase plans would accrue at a rate that exceeds \$25,000 in value for each calendar year of participation in such plans.

The 2007 Purchase Plan is designed to be implemented through a series of sequential offering periods, generally six (6) months in duration beginning on the first trading day on or after May 1 and November 1 of each year. The administrator is authorized to establish additional or alternative sequential or overlapping offering periods and offering periods having a different duration or different starting or ending dates, provided that no offering period may have a duration exceeding 27 months.

Amounts accumulated for each participant under the 2007 Purchase Plan are used to purchase shares of the Company's common stock at the end of each offering period at a price generally equal to 85% of the lower of the fair market value of our common stock at the beginning of an offering period or at the end of the offering period. Prior to commencement of an offering period, the administrator is authorized to reduce, but not increase, this purchase price discount for that offering period, or, under circumstances described in the 2007 Purchase Plan, during that offering period. The maximum number of shares a participant may purchase in any six-month offering period is the lesser of (i) that number of shares determined by multiplying (x) 1,000 shares by (y) the number of months (rounded to the nearest whole month) in the offering period and rounding to the nearest whole share or (ii) that number of whole shares determined by dividing (x) the product of \$2,083.33 and the number of months (rounded to the nearest whole month) in the offering period and rounding to the nearest whole dollar by (y) the fair market value of a share of our common stock at the beginning of the offering period. Prior to the beginning of any offering period, the administrator may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the administrator will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded, without interest.

In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under the 2007 Purchase Plan. If the acquiring or successor corporation does not assume such rights and obligations, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control.

The following table summarizes stock option activities:

	Shares Available for Grant	Number of Shares Underlying Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Intrinsic Value
Balance at March 31, 2014	5,585,500	6,143,980		\$ 5.13	
Options reserved	1,377,699	—		—	
Granted	(791,903)	791,903		\$ 5.20	
Exercised	—	(119,085)		\$ 3.88	\$ 262,253
Forfeited	42,647	(42,647)		\$ 5.49	
Balance at March 31, 2015	6,213,943	6,774,151		\$ 5.16	
Options reserved	1,156,419	—		—	
Granted	(969,913)	969,913		\$ 4.42	
Exercised	—	(76,745)		\$ 4.19	\$ 46,977
Forfeited	31,614	(41,614)		\$ 4.82	
Balance at March 31, 2016	6,432,063	7,625,705		\$ 5.08	
Options reserved	1,085,818	—		—	
Terminated plan	(705,699)	—		—	
Granted	(1,362,798)	1,362,798		\$ 5.14	
Exercised	—	(391,039)		\$ 3.96	\$ 855,160
Forfeited	14,801	(974,634)		\$ 5.53	
Balance at March 31, 2017	5,464,185	7,622,830		\$ 5.09	
Options vested and exercisable		4,731,902	4.00	\$ 5.04	\$ 17,365,055
Options vested and expected to vest		7,569,918	5.71	\$ 5.09	\$ 27,412,888

The options outstanding and by exercise price at March 31, 2017 are as follows:

Exercise Price	Number of Shares Underlying Options Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Vested and Exercisable	Weighted Average Exercise Price
\$ 2.43 - 3.40	789,595	\$ 3.22	4.39	558,137	\$ 3.14
\$ 3.43 - 4.00	1,157,919	\$ 3.80	3.04	1,042,275	\$ 3.83
\$ 4.17 - 4.81	840,645	\$ 4.42	4.92	750,395	\$ 4.41
\$ 4.90 - 4.99	1,424,681	\$ 4.97	8.13	293,928	\$ 4.91
\$ 5.13 - 5.28	798,098	\$ 5.23	8.06	90,030	\$ 5.19
\$ 5.34 - 6.00	768,984	\$ 5.75	5.27	728,336	\$ 5.76
\$ 6.16 - 6.54	887,513	\$ 6.35	6.30	584,903	\$ 6.43
\$ 6.61 - 6.86	635,822	\$ 6.78	5.92	364,325	\$ 6.74
\$ 7.00	206,193	\$ 7.00	3.34	206,193	\$ 7.00
\$ 9.20	113,380	\$ 9.20	3.84	113,380	\$ 9.20
	7,622,830	\$ 5.09	5.73	4,731,902	\$ 5.04

Stock-based compensation

The Company recognized \$1,877,000, \$1,850,000 and \$2,077,000 of stock-based compensation expense for the years ended March 31, 2017, 2016 and 2015, respectively, as follows:

	Year Ended March 31,		
	2017	2016	2015
	(In thousands)		
Cost of revenues	\$ 282	\$ 320	\$ 401
Research and development	980	858	941
Selling, general and administrative	615	672	735
Total	<u>\$ 1,877</u>	<u>\$ 1,850</u>	<u>\$ 2,077</u>

Stock-based compensation expense in the years ended March 31, 2017, 2016 and 2015 included \$150,000, \$136,000 and \$153,000, respectively, related to the Company's Employee Stock Purchase Plan.

No tax benefit was recognized in either fiscal 2017 or fiscal 2016 due to a full valuation allowance. There were no windfall tax benefits realized from exercised stock options recognized in fiscal 2017 or fiscal 2016. Compensation cost capitalized within inventory at March 31, 2017 and 2016 was not material. As of March 31, 2017, the Company's total unrecognized compensation cost was \$3.4 million, which will be recognized over the weighted average period of 2.26 years. The Company calculated the fair value of stock based awards in the periods presented using the Black-Scholes option pricing model and the following weighted average assumptions:

	Year Ended March 31,		
	2017	2016	2015
	(In thousands)		
Stock Option Plans:			
Risk-free interest rate	1.12 - 1.95 %	1.41 - 1.57 %	1.47 - 1.70 %
Expected life (in years)	5.00	5.00	5.00
Volatility.	33.3 - 35.4 %	36.3 - 38.0 %	40.4 - 44.8 %
Dividend yield	— %	— %	— %
Employee Stock Purchase Plan:			
Risk-free interest rate	0.38 - 0.45 %	0.09 - 0.15 %	0.05 %
Expected life (in years)	0.50	0.50	0.50
Volatility.	30.8 - 39.6 %	26.3 - 27.9 %	30.8 - 38.0 %
Dividend yield	— %	— %	— %

The weighted average fair value of options granted during the years ended March 31, 2017, 2016 and 2015 was \$1.66, \$1.52 and \$2.08, respectively.

NOTE 10—SEGMENT AND GEOGRAPHIC INFORMATION

Based on its operating management and financial reporting structure, the Company has determined that it has one reportable business segment: the design, development and sale of integrated circuits.

The following is a summary of net revenues by geographic area based on the location to which product is shipped:

	Year Ended March 31,		
	2017	2016	2015
	(In thousands)		
United States	\$ 19,708	\$ 20,951	\$ 18,099
China	9,364	12,123	15,695
Singapore	9,475	7,345	6,552
Rest of the world	9,633	12,317	13,152
	<u>\$ 48,180</u>	<u>\$ 52,736</u>	<u>\$ 53,498</u>

All sales are denominated in United States dollars.

The locations and net book value of long-lived assets are as follows:

	March 31,	
	2017	2016
	(In thousands)	
United States	\$ 5,648	\$ 6,085
Taiwan	1,952	2,521
Israel	89	47
	<u>\$ 7,689</u>	<u>\$ 8,653</u>

NOTE 11—ACQUISITION

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

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

The results of operations of MikaMonu and the estimated fair value of the assets acquired were included in the Company’s consolidated financial statements beginning November 23, 2015.

Consideration

Under the terms of the acquisition agreement, the Company paid the former MikaMonu shareholders initial cash consideration of approximately \$4.4 million at the closing on November 23, 2015. In addition, \$484,000 was deposited in escrow to provide a fund for potential future indemnification claims by the Company. This amount is included in prepaid expenses and other current assets on the Consolidated Balance Sheet at March 31, 2017.

The Company is also required to pay the former MikaMonu shareholders future contingent consideration consisting of retention payments and “earnout” payments, as described below.

The Company will make cash retention payments of up to an additional \$2.5 million to the three former MikaMonu shareholders in installments over a four-year period, conditioned on the continued employment of Dr. Avidan Akerib, MikaMonu’s co-founder and chief technologist. The retention amount of \$2.5 million has been deposited in escrow. Of this amount, \$750,000 is included in prepaid expenses and other current assets and the remaining \$1,750,000 is included in other assets on the Consolidated Balance Sheet at March 31, 2017.

The Company will also make “earnout” payments to the former MikaMonu shareholders in cash or shares of the Company’s common stock, at the Company’s discretion, during a period of up to ten years following the closing if certain product development milestones and revenue targets for products based on the MikaMonu technology are achieved. Earnout amounts of \$750,000 will be payable if certain product development milestones are achieved by December 31, 2017. Additional earnout amounts of \$2,750,000 and \$4,000,000 will be payable if certain revenue milestones are achieved by January 1, 2021 and January 1, 2022, respectively; and additional payments, up to a maximum of \$30 million, equal to 5% of net revenues from the sale of qualifying products in excess of certain thresholds, will be made quarterly through December 31, 2025.

The portion of the retention payment contingently payable to Dr. Akerib (approximately \$1.2 million) will be recorded as compensation expense over the period that his services are provided to the Company. The portion of the retention payment contingently payable to the other former MikaMonu shareholders (approximately \$1.3 million) plus the maximum amount of the potential earnout payments totals approximately \$38.8 million. The Company determined that the fair value of this contingent consideration liability was \$5.8 million at the acquisition date. This contingent consideration liability is included in other accrued expenses on the Condensed Consolidated Balance Sheet at March 31, 2016 in the amount of \$5.9 million. The total contingent consideration liability as of March 31, 2017 was \$6.2 million, \$5.1 million of which is included in other accrued expenses on the Consolidated Balance Sheet and \$1.1 million is included in accrued expenses and other liabilities.

The fair value of the contingent consideration liability was initially determined as of the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of future cash flows, the probability of success (achievement of the various contingent events) and a risk-adjusted discount rate of approximately 14.8% used to adjust the probability-weighted cash flows to their present value. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability is re-measured to fair value with changes recorded in selling, general and administrative expenses in the Consolidated Statements of Operations. The change in fair value for the year ended March 31, 2017 was \$344,000.

Acquisition-related costs

Acquisition-related costs of approximately \$426,000 are included in selling, general and administrative expenses in the Consolidated Statements of Operations for year ended March 31, 2016.

Purchase price allocation

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

The fair value allocated to tangible and identifiable intangible assets and goodwill of MikaMonu acquired on November 23, 2015 was computed as follows (in thousands):

Cash and cash equivalents	\$	1
Other receivables		54
Property and equipment, net		10
Intangible assets		3,500
Goodwill		8,030
Total assets acquired		<u>11,595</u>
Accrued expenses		(10)
Net deferred tax liability		(821)
Total liabilities assumed		<u>(831)</u>
Fair value of net assets acquired		<u>\$ 10,764</u>

The deferred tax liability associated with the estimated fair value adjustments of the intangible assets acquired is recorded at an estimated weighted average statutory tax rate in the jurisdictions where the fair value adjustments may occur.

Identifiable intangible assets

The following table sets forth the components of the identifiable intangible assets acquired in the MikaMonu acquisition, which are being amortized over their estimated useful lives on a straight-line basis:

	<u>Fair Value</u> <u>(in thousands)</u>	<u>Useful Life</u> <u>(in years)</u>
Patents	\$ 3,500	15
Acquired identifiable intangible assets	<u>\$ 3,500</u>	

The fair value of patents was determined using relief from royalty approach, which discounted expected future cash flows to present value. The cash flows were discounted at a rate of approximately 14.0%.

Prior to the closing of the acquisition, there were no material relationships between the Company and MikaMonu.

The following table summarizes total net revenues and net loss of the combined entity had the acquisition of MikaMonu occurred on April 1, 2014 (in thousands, except loss per share data):

	<u>Year Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Pro forma net revenues	\$ 52,736	\$ 54,134
Pro forma net loss	\$ (2,575)	\$ (5,810)
Pro forma net loss per share, basic and diluted	\$ (0.11)	\$ (0.23)

The combined results in the table above have been prepared for comparative purposes only and include acquisition related adjustments for, among other items, the amortization of identifiable intangible assets. Since the acquisition date, the results of MikaMonu have been included in the Company’s consolidated financial statements. The combined results do not purport to be indicative of the results of operations which would have resulted had the acquisition been effected at the beginning of the applicable periods noted above, or the future results of operations of the combined entity.

NOTE 12—EMPLOYEE BENEFIT PLANS

The Company provides a defined contribution retirement plan (the “Retirement Plan”), which qualifies under Section 401(k) of the Internal Revenue Code of 1986. The Retirement Plan covers essentially all United States employees. Eligible employees may make contributions to the Retirement Plan up to 15% of their annual compensation, but no greater than the annual IRS limitation for any plan year. The Retirement Plan does not provide for Company contributions.

The Company provides a defined contribution retirement plan (the “Taiwan Pension Plan”) that covers essentially all of its employees located in Taiwan. The Company makes contributions to the Taiwan Pension Plan equal to 6% of eligible compensation and employees can make voluntary contributions of up to 6% of eligible compensation. All contributions are fully vested.

The Company provides a defined contribution retirement plan (the “Pension Plan”) that covers essentially all of its employees located in Israel. Eligible employees may make contributions to the Pension Plan up to 5% of eligible compensation, and the Company contributes up to 15.83% of eligible compensation. All contributions are fully vested.

Pursuant to Israeli labor laws, the Company’s Israeli subsidiary is required to pay severance pay to dismissed employees and employees leaving their employment in certain circumstances. Severance pay is computed based on length of service and generally according to the latest monthly salary and one month’s salary for each year worked.

NOTE 13 —QUARTERLY FINANCIAL DATA (Unaudited)

	<u>Three Months Ended</u>			
	<u>June 30,</u> <u>2016</u>	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2017</u>
	(In thousands, except per share amounts)			
Consolidated Statement of Operations Data:				
Net revenues	\$ 12,946	\$ 13,358	\$ 11,484	\$ 10,392
Gross profit	\$ 6,722	\$ 7,343	\$ 6,495	\$ 5,856
Net income (loss)	\$ 260	\$ 626	\$ 348	\$ (1,349)
Net Income (loss) per common share—Basic	\$ 0.01	\$ 0.03	\$ 0.02	\$ (0.07)
Net Income (loss) per common share—Diluted	\$ 0.01	\$ 0.03	\$ 0.02	\$ (0.07)

	Three Months Ended			
	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
	(In thousands, except per share amounts)			
Consolidated Statement of Operations Data:				
Net revenues.....	\$ 14,025	\$ 13,577	\$ 12,921	\$ 12,213
Gross profit	\$ 7,295	\$ 6,917	\$ 6,386	\$ 6,139
Net loss.....	\$ (917)	\$ (347)	\$ (819)	\$ (87)
Net loss per common share—Basic.....	\$ (0.04)	\$ (0.02)	\$ (0.04)	\$ —
Net loss per common share—Diluted	\$ (0.04)	\$ (0.02)	\$ (0.04)	\$ —

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Management’s Evaluation of Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2017, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report for the purpose of ensuring that the information required to be disclosed by us in the reports we file or submit under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that the information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in order to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within GSI Technology, have been detected.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of March 31, 2017. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control—Integrated Framework (2013)*. Based on our assessment using those criteria, our management (including our Chief Executive Officer and Chief Financial Officer) concluded that our internal control over financial reporting was effective as of March 31, 2017.

The effectiveness of the Company’s internal control over financial reporting as of March 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page 50 of this Annual Report on Form 10-K.

Item 9B. Other Information

Not applicable.

PART III

The SEC allows us to include information required in this report by referring to other documents or reports we have already filed or will soon be filing. This is called “incorporation by reference.” We intend to file our definitive proxy statement for our 2017 annual meeting of stockholders (the “Proxy Statement”) pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report, and certain information therein is incorporated in this report by reference.

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item with respect to executive officers is set forth in Part I of this Annual Report on Form 10-K and the remaining information required by this item is incorporated by reference from the sections entitled “Proposal No. 1 - Election of Directors”, “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” to be included in the Proxy Statement.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference from the section entitled “Executive Compensation” to be included in the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is incorporated by reference from the sections entitled “Principal Stockholders and Stock Ownership by Management” and “Executive Compensation – Equity Compensation Plan Information” to be included in the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is incorporated by reference from the section entitled “Related Person Transactions” and “Corporate Governance—Director Independence” to be included in the Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required by this item is incorporated by reference from the section entitled “Proposal No. 2 - Ratification of Appointment of Independent Registered Public Accounting Firm” to be included in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) **The following documents are filed as part of this Form:**

1. Financial Statements

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Report of Independent Registered Public Accounting Firm	50
Consolidated Balance Sheets As of March 31, 2017 and 2016	51
Consolidated Statements of Operations For the Three Years Ended March 31, 2017, 2016 and 2015	52
Consolidated Statements of Comprehensive Loss For the Three Years Ended March 31, 2017, 2016 and 2015	53
Consolidated Statements of Stockholders' Equity For the Three Years Ended March 31, 2017, 2016 and 2015	54
Consolidated Statements of Cash Flows For the Three Years Ended March 31, 2017, 2016 and 2015	55
Notes to Consolidated Financial Statements	56

2. Financial Statement Schedules

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable, is not material or is shown in the consolidated financial statements or the notes thereto.

3. Exhibits:

The following exhibits are filed herewith:

Exhibit Number	Name of Document
3.1	Restated Certificate of Incorporation of Registrant (Incorporated by reference to Exhibit 3.3 to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on February 16, 2007)
3.2	Bylaws of Registrant (Incorporated by reference to Exhibit 3.4 to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on February 16, 2007)
10.1	Form of Indemnity Agreement between Registrant and Registrant's directors and officers (Incorporated by reference to identically-numbered exhibit to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on January 10, 2007)
10.2	(1) 1997 Stock Plan and form of Stock Option Agreement (Incorporated by reference to identically-numbered exhibit to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on February 16, 2007)
10.3	(1) 2000 Stock Option Plan and form of Stock Option Agreement (Incorporated by reference to identically-numbered exhibit to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on February 16, 2007)
10.4	(1) 2007 Equity Incentive Plan, as amended (Incorporated by reference to Appendix A to Registrant's definitive Proxy Statement filed on July 21, 2011)
10.5	(1) 2007 Employee Stock Purchase Plan and form of Subscription Agreement (Incorporated by reference to identically-numbered exhibit to Registrant's Registration Statement on Form S-1 (File No. 333-139885) filed on February 16, 2007)
10.6	(1) Form of Notice of Grant of Stock Option (U.S. Participant) (Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K filed on June 4, 2007)
10.7	(1) Form of Notice of Grant of Stock Option (Non-U.S. Participant) (Incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K filed on June 4, 2007)
10.8	(1) Form of Stock Option Agreement (U.S. Participant) (Incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K filed on June 4, 2007)
10.9	(1) Form of Stock Option Agreement (Non-U.S. Participant) (Incorporated by reference to Exhibit 99.4 to Registrant's Current Report on Form 8-K filed on June 4, 2007)
10.10	Intellectual Property Agreement dated August 28, 2009 between GSI Technology, Inc. and Sony Electronics Inc. (Incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on November 16, 2009)
10.11	Factory Lease Agreement for No. 1, 6th Floor, 30 Tai-Yuan Street, Chu-Pei City, Taiwan dated August 9, 2012 (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on September 11, 2012)
10.12	(2) Master Purchase Agreement dated August 31, 2011 between Registrant and Cisco Systems, Inc. (Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on November 4, 2011)
10.13	(2) Master Purchase Agreement dated August 31, 2011 between Registrant and Cisco Systems International B.V. (Incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on November 4, 2011)
10.14	(1) GSI Technology, Inc. 2014 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 3, 2013)

- 10.15 (1) GSI Technology, Inc. 2015 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on May 30, 2014)
- 10.16 Factory Lease Agreement for No. 1, 6th Floor, 30 Tai-Yuan Street, Chu-Pei City, Taiwan dated August 22, 2014 (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 26, 2014)
- 10.17 (1) GSI Technology, Inc. 2016 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 3, 2015)
- 10.18 Stock Purchase Agreement dated November 23, 2015 among GSI Technology, Inc., GSI Technology Holdings, Inc. and MikaMonu Group Ltd. (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on February 4, 2016)
- 10.19 (1) GSI Technology, Inc. 2017 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on July 5, 2016)
- 10.20 (1) GSI Technology, Inc. 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K/A filed on September 2, 2016)
- 10.21 (1) Form of Notice of Grant of Stock Option (U.S. Participant) under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to Registrant's Form 10-Q filed on November 4, 2016)
- 10.22 (1) Form of Notice of Grant of Stock Option (Non-U.S. Participant) under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.3 to Registrant's Form 10-Q filed on November 4, 2016)
- 10.23 (1) Form of Stock Option Agreement (U.S. Participant) under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.4 to Registrant's Form 10-Q filed on November 4, 2016)
- 10.24 (1) Form of Stock Option Agreement (Non-U.S. Participant) under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.5 to Registrant's Form 10-Q filed on November 4, 2016)
- 10.25 (1) GSI Technology, Inc. 2018 Variable Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 1, 2017)
- 21.1 List of Subsidiaries
- 23.1 Consent of Independent Registered Public Accounting Firm
- 24.1 Power of Attorney (Incorporated by reference to the signature page of this Annual Report on Form 10-K)
- 31.1 Certification of Lee-Lean Shu, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Douglas Schirle, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Lee-Lean Shu, President and Chief Executive Officer, and Douglas Schirle, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Lee-Lean Shu and Robert Yau, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ LEE-LEAN SHU Lee-Lean Shu	President, Chief Executive Officer and Chairman <i>(Principal Executive Officer)</i>	June 5, 2017
/s/ DOUGLAS M. SCHIRLE Douglas M. Schirle	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	June 5, 2017
/s/ ROBERT YAU Robert Yau	Vice President, Engineering, Secretary and Director	June 5, 2017
/s/ JACK A. BRADLEY Jack A. Bradley	Director	June 5, 2017
/s/ E. THOMAS HART E. Thomas Hart	Director	June 5, 2017
/s/ HAYDN HSIEH Haydn Hsieh	Director	June 5, 2017
/s/ RUEY L. LU Ruey L. Lu	Director	June 5, 2017
/s/ ARTHUR O. WHIPPLE Arthur O. Whipple	Director	June 5, 2017

Board of Directors

Lee-Lean Shu

Chairman of the Board, President and Chief Executive Officer
GSI Technology, Inc.

Jack A. Bradley

Partner, David Powell Financial Services

E. Thomas Hart

Non-executive Chairman of the Board
QuickLogic Corporation

Haydn Hsieh

Chairman and Chief Executive Officer
Wistron NeWeb Corporation

Ruey L. Lu

President
EMPIA Technology

Arthur O. Whipple

North American President
ABBYY USA Software House, Inc.

Robert Yau

Vice President, Engineering
GSI Technology, Inc.

Executive Officers

Lee-Lean Shu

President and Chief Executive Officer

Didier Lasserre

Vice President, Sales

Douglas Schirle

Chief Financial Officer

Bor-Tay Wu

Vice President, Taiwan Operations

Ping Wu

Vice President, U.S. Operations

Robert Yau

Vice President, Engineering

Annual Meeting of Stockholders

The annual meeting of stockholders will be held on Tuesday, August 29, 2017 at 2:00 p.m. PDT at the offices of DLA Piper LLP (US) 2000 University Avenue East Palo Alto, California 94303.

Corporate Offices

GSI Technology, Inc.
1213 Elko Drive
Sunnyvale, California 94089
408-331-8800
<http://www.gsitechnology.com>

General Counsel

DLA Piper LLP (US)
East Palo Alto, California

Investor Relations

Hayden IR
Phoenix, Arizona
206-395-2711

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
San Jose, California

Transfer Agent and Stock Registrar

First Class/Registered/Certified Mail:
Computershare
P.O. Box 505000
Louisville, KY 40233

Courier Services:

Computershare
462 South 4th Street, Suite 1600
Louisville, KY 40202

Shareholder Services Number:

800-368-5948

Investor Centre™ portal:

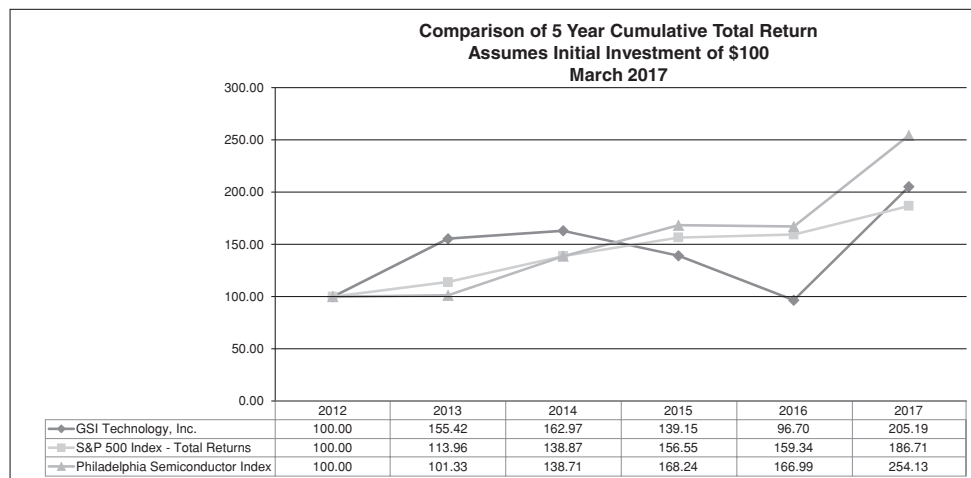
www.computershare.com/investor

Additional Information

Additional copies of our annual report on Form 10-K, as filed with the Securities and Exchange Commission, can be obtained, free of charge, on our Web site or upon written request by mail or e-mail to our corporate offices, Attention Investor Relations, at the address indicated above.

Stock Performance Graph

The line graph and table below compare the cumulative total stockholder return on our common stock with the cumulative total return of the Standard and Poor's 500 Index and the Philadelphia Semiconductor Sector Index for the period beginning on March 31, 2012 through March 31, 2017. The graph and table assume that \$100 was invested on March 31, 2012 in each of our common stock, the Standard and Poor's 500 Index and the Philadelphia Semiconductor Sector Index. No cash dividends have been declared on our stock. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.



www.gsitechnology.com

Corporate Office
1213 Elko Drive
Sunnyvale, CA 94089
408-331-8800