

GSI TECHNOLOGY INC  
Form DEF 14A  
July 30, 2007  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**GSI Technology, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:



July 27, 2007

Dear Stockholder:

This year's annual meeting of stockholders will be held on Tuesday, August 28, 2007, at 2 p.m. local time, at the offices of DLA Piper US LLP, 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.

It is important that you use this opportunity to take part in the affairs of GSI Technology, Inc. by voting on the business to come before this meeting. After reading the Proxy Statement, please promptly mark, sign, date and return the enclosed proxy card in the prepaid envelope to assure that your shares will be represented. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before our stockholders is important.

A copy of GSI Technology's Annual Report to Stockholders is also enclosed for your information. At the annual meeting we will review GSI Technology's activities over the past year and our plans for the future. The Board of Directors and management look forward to seeing you at the annual meeting.

Sincerely yours,  
/s/ LEE-LEAN SHU  
Lee-Lean Shu  
*President and Chief Executive Officer*

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**GSI TECHNOLOGY, INC.**  
**2360 Owen Street**  
**Santa Clara, CA 95054**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held August 28, 2007**

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 28, 2007, at 2 p.m. local time, at the offices of DLA Piper US LLP located at 2000 University Avenue, East Palo Alto, California 94303, for the following purposes:

1. To elect five persons to serve on our Board of Directors.
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2008.
3. To transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on July 19, 2007 are entitled to notice of, and to vote at, this meeting and any adjournment or postponement. 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 2360 Owen Street, Santa Clara, California 95054.

/s/ ROBERT YAU  
Robert Yau  
*Secretary*

Santa Clara, California  
July 27, 2007

**IMPORTANT:** Please fill in, date, sign and promptly mail the enclosed proxy card in the accompanying postage-paid envelope to assure 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.

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**GSI TECHNOLOGY, INC.**  
2360 Owen Street  
Santa Clara, CA 95054

**PROXY STATEMENT  
FOR ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD AUGUST 28, 2007**

The accompanying proxy is solicited by the Board of Directors of GSI Technology, Inc., a Delaware corporation ( "GSI Technology" ), for use at its annual meeting of stockholders to be held on Tuesday, August 28, 2007, 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 August 1, 2007.

**SOLICITATION AND VOTING**

*Voting Securities.* Only stockholders of record as of the close of business on July 19, 2007 will be entitled to vote at the meeting and any adjournment thereof. As of that time, we had 27,615,815 shares of Common Stock outstanding, all of which are entitled to vote with respect to all matters to be acted upon at the annual meeting. Each stockholder of record as of that date is entitled to one vote for each share of Common Stock held by him or her. Our Bylaws provide that a majority of all of the shares of the stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Votes for and against, abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum.

*Broker Non-Votes.* A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (generally referred to as being held in street name) but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors, increases in authorized common stock for general corporate purposes and ratification of auditors. Non-routine matters include amendments to stock plans.

*Solicitation of Proxies.* We will bear the cost of soliciting proxies. In addition to soliciting stockholders by mail through our employees, we will request banks, brokers and other custodians, nominees and fiduciaries to solicit customers for whom they hold our stock and will reimburse them for their reasonable, out-of-pocket costs. We may use the services of our officers, directors and others to solicit proxies, personally or by telephone, without additional compensation.

*Voting of Proxies.* All valid proxies received before the meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder's choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If no choice is indicated on the proxy, the shares will be voted **FOR** the election of management's nominees for director and **FOR** the other proposal discussed in this proxy statement. A stockholder giving a proxy has the power to revoke his or her proxy at any time before it is exercised by delivering to the Secretary of GSI Technology a written instrument revoking the proxy or a duly executed proxy with a later date, or by attending the meeting and voting in person.

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**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

We have a Board of Directors consisting of five directors who will serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified. On July 25, 2007, we were notified by Jing Rong Tang of his decision to retire as a member of our Board of Directors effective as of the 2007 annual meeting of stockholders. Mr. Tang has served as a member of the Board of Directors since May 1995.

On July 25, 2007, the Nominating and Governance Committee of our Board of Directors recommended to the full Board the nomination of Arthur O. Whipple to stand for election to our Board of Directors at the 2007 annual stockholder meeting, along with our four other incumbent directors. Mr. Whipple was initially identified as a potential director nominee by Lee-Lean Shu, our President, Chief Executive Officer and Chairman, and Douglas Schirle, our Chief Financial Officer.

Management's nominees for election at the annual meeting are Hsiang-Wen Chen, Ruey L. Lu, Lee-Lean Shu, Arthur O. Whipple and Robert Yau. If elected, the nominees will serve as directors until our annual meeting of stockholders in 2008 and until their successors are 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.

If a quorum is present and voting, the five nominees for director receiving the highest number of votes will be elected. Abstentions and broker non-votes have no effect on the vote.

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

The following tables set forth, for our current directors and the nominees for election at the annual meeting, information with respect to their ages and background:

Nominee's Name	Principal Occupation	Age	Director Since
Hsiang-Wen Chen	Managing Director of Monet Capital, LLC	59	1997
Ruey L. Lu	President of EMPIA Technology	51	2000
Lee-Lean Shu	President, Chief Executive Officer and Chairman of GSI Technology	52	1995
Arthur O. Whipple	Chief Financial Officer of PLX Technology, Inc.	59	
Robert Yau	Vice President, Engineering and Secretary of GSI Technology	54	1995

Retiring Director's Name	Principal Occupation	Age	Director Since
Jing Rong Tang	Chief Executive Officer of Holystone Enterprises	52	1995

**Nominees for Election at the Annual Meeting**

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. 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.

Hsiang-Wen Chen, Ph.D. has served as a member of our Board of Directors since January 1997. Dr. Chen has served as the Managing Director of Monet Capital, LLC, a venture capital firm, since January 2000. From January 1997 to October 1999, Dr. Chen served as our Vice President, Technology. From January 1987 to December 1996, Dr. Chen was the Director of Technology at Paradigm Technology. Dr. Chen also serves on the board of directors of several private companies.

Ruey L. Lu has served as a member of our Board of Directors since October 2000. Mr. Lu is the President of EMPIA Technology, 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 in March 1993. From October 1989 to February 1993, Mr. Lu served as Director of Engineering in the Imaging Product Division of Western Digital, an information storage company.

Arthur O. Whipple has served as Chief Financial Officer of PLX Technology, Inc., a semiconductor device manufacturer, since February 2007. 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 Corp., a fabless manufacturer of field programmable logic products and embedded standard products, 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.

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.

**Retiring Director**

Jing Rong Tang has served as a member of our Board of Directors since May 1995, and has announced his decision not to stand for re-election at this meeting. Since 1994, Mr. Tang has served as the Chief Executive Officer of HolyStone Enterprises Co., Ltd., a manufacturer and distributor of electronic components. Mr. Tang has been with HolyStone Enterprises Co., Ltd. since June 1981.

## **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 Marketplace Rules.

### **Executive Sessions**

Non-management directors generally meet in executive session without management present at each regularly scheduled meeting of the Board.

### **Committees and Meeting Attendance**

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each of these committees operates under a written charter adopted by the Board. Copies of these charters are available on our website at [www.gsistechnology.com](http://www.gsistechnology.com). The Board of Directors held two meetings during the fiscal year ended March 31, 2007. During fiscal 2007, each of our directors attended at least 75% of the total number of meetings of the Board and all of the committees of the Board on which such director served held during that period. Directors are encouraged to attend our annual meetings of stockholders.

### **Audit Committee**

The members of the Audit Committee during fiscal 2007 were Hsiang-Wen Chen and Ruey L. Lu. Each of the members of the Audit Committee is independent for purposes of the Nasdaq Marketplace Rules as they apply to audit committee members. The Audit Committee operates under a charter that is available on our website at [www.gsistechnology.com](http://www.gsistechnology.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. The Audit Committee held one meeting during the fiscal year ended March 31, 2007.

The composition of our Audit Committee does not currently comply with the applicable requirements of the rules and regulations of the Nasdaq Stock Market ( Nasdaq ) and the Securities and Exchange Commission (the SEC ) in that there are two rather than three members. In addition, while each member of the Audit Committee is financially sophisticated, as defined in the Nasdaq listing requirements, our Board of Directors has determined that there is currently no audit committee financial expert, as defined in the SEC rules, serving on the Audit Committee. If Mr. Whipple is elected by our stockholders to serve on the Board of Directors, we expect that he will be appointed to the Audit Committee effective at the first Board of Directors meeting following the 2007 annual meeting of stockholders, thereby allowing us to comply with Nasdaq and SEC committee composition rules. Mr. Whipple also will be designated as our audit committee financial expert.

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 2007 were Hsiang-Wen Chen and Ruey L. Lu. Each of the members of the Compensation Committee is independent for purposes of the Nasdaq Marketplace Rules. While there are no current plans regarding future members of the Compensation Committee, the Board of Directors will consider the inclusion of Mr. Whipple as a committee member if he is elected as a director by our stockholders. The Compensation Committee



operates under a charter that is available on our website at [www.gsistechnology.com](http://www.gsistechnology.com). The Compensation Committee reviews and makes recommendations to our Board of Directors concerning the compensation and benefits of our executive officers and directors, administers our stock option and employee benefits plans, and reviews general policy relating to compensation and benefits. The Compensation Committee held one meeting during the fiscal year ended March 31, 2007.

The purpose of the Compensation Committee is to assist the Board of Directors in carrying out its responsibilities with respect to: (i) overseeing the Company's compensation policies and practices; (ii) reviewing and approving compensation and compensation procedures for the Company's executive officers; and (iii) overseeing and recommending director compensation to the Board of Directors. More specifically, the Compensation Committee's responsibilities include: periodically reviewing and advising the Board of Directors concerning the Company's overall compensation philosophy, policies and plans, including reviewing both regional and industry compensation practices and trends; advising management on the composition of any peer group used for comparison purposes; reviewing and approving corporate and personal performance goals and objectives relevant to the compensation of all executive officers, and setting all executive compensation (including but not limited to salary, bonus, incentive compensation, equity awards, benefits and perquisites); making recommendations to the Board of Directors regarding the establishment and terms of the Company's incentive compensation plans and equity compensation plans, and administering such plans; making and approving grants of options and other awards to all executive officers under the Company's compensation plans; and making and approving grants of options and other awards to all other eligible individuals. The Compensation Committee may authorize one or more officers to (i) designate eligible individuals other than executive officers and directors to be recipients of equity compensation and (ii) determine, within an amount established by the Compensation Committee or the Board of Directors, the size of equity awards to be granted to each such recipient; provided, however, that no officer may designate himself or herself as such a recipient. Any officer to whom such authority is delegated shall regularly report to the Compensation Committee on the grants so made. Other responsibilities of the Compensation Committee include: reviewing and approving compensation-related matters outside the ordinary course, including but not limited to employment contracts, change-in-control provisions, severance arrangements, and material amendments thereto; reviewing and discussing with management the disclosures in the Company's Compensation Discussion and Analysis and any other disclosures regarding executive compensation to be included in the Company's public filings or shareholder reports; based upon its review and discussion with management, recommending to the Board of Directors whether the Compensation Discussion and Analysis should be included in the Company's proxy statement, Form 10-K, or information statement, as applicable, and preparing the related report required by the rules of the SEC; reporting to the Board of Directors on the Compensation Committee's activities on a regular basis; and reviewing and approving the terms of any commission plans for the Company's sales personnel. The Compensation Committee's Charter provides for delegation of any of these duties to one or more subcommittees comprised of one or more members of the Compensation Committee. Regarding most compensation matters, including executive and director compensation, Company management provides recommendations to the Compensation Committee. The Company does not currently engage any consultant related to executive and/or director compensation matters.

#### **Nominating and Governance Committee**

The members of the Nominating and Governance Committee during fiscal 2007 were Hsiang-Wen Chen and Ruey L. Lu. Each of the members of the Nominating and Governance Committee is independent for purposes of the Nasdaq Marketplace Rules. While there are no current plans regarding future members of the Nominating and Governance Committee, the Board of Directors will consider the inclusion of Mr. Whipple as a committee member if he is elected as a director by our stockholders. The Nominating and Governance Committee operates under a charter that is available on our website at [www.gsistechnology.com](http://www.gsistechnology.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, recommends corporate governance principles to the Board of Directors, and provides oversight in the evaluation of the Board of Directors and each committee. The Nominating and Governance Committee held one meeting during the fiscal year ended March 31, 2007.

#### **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, experience and expected contributions and the qualification standards established from time to time by the Nominating and Governance Committee. 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 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. 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 directors 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 directors 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)  
c/o Secretary  
GSI TECHNOLOGY, INC.  
2360 Owen Street  
Santa Clara, California, 95054

#### **Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. The Code of Business Conduct and Ethics is available on our website at [www.gsitechnology.com](http://www.gsitechnology.com). If we make any substantive amendments to the code 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 than required by Nasdaq listing standards 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 in the past three years. During fiscal 2007, no member of the Compensation Committee had any relationship with GSI Technology requiring disclosure under Item 404 of Regulation S-K. During fiscal 2007, 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, 2008. PricewaterhouseCoopers LLP has acted in such capacity since its 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, 2006 and March 31, 2007 by PricewaterhouseCoopers LLP:

	Fiscal 2006		Fiscal 2007	
Audit Fees(1)	\$	70,246	\$	1,080,598
Audit-Related Fees				
Tax Fees(2)	\$	52,531	\$	35,950
Other Fees(3)				

(1) Audit Fees consist of fees for professional services rendered for the audit of GSI Technology's annual consolidated financial statements and 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. Audit fees for fiscal 2007 include \$373,000 of fees associated with the initial public offering of GSI Technology's common stock in March 2007.

(2) Tax Fees consist of fees for consultation on various tax matters and compliance with filing requirements.

(3) Other Fees consist of fees for products and services other than the services described above.

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 votes cast affirmatively or negatively on the proposal at the annual meeting of stockholders, as well as the presence of a quorum representing a majority of all outstanding shares of Common Stock of GSI Technology, either in person or by proxy. 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 proposal.

**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, 2008.**

## 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 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.

The Audit Committee currently consists of two directors. Each member of the Committee, in the judgment of the Board of Directors, is an independent director as defined in the Nasdaq listing requirements. 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](http://www.gsitechnology.com).

The composition of our Audit Committee does not currently comply with the applicable requirements of the Nasdaq and SEC rules and regulations in that we have two rather than three members. In addition, while each member of the Audit Committee is financially sophisticated, as defined in the Nasdaq listing requirements, our Board of Directors has determined that there is currently no audit committee financial expert, as defined in the SEC rules, serving on the Audit Committee. If Mr. Whipple is elected by our stockholders to serve on our Board of Directors, we expect that he will be appointed to the Audit Committee, thereby allowing us to comply with the Nasdaq and SEC composition rules. Mr. Whipple also will be designated our audit committee financial expert. If Mr. Whipple is not elected, we will continue our search for an additional director, qualified as an audit committee financial expert, who will serve as a member of the Audit Committee.

The Audit Committee has reviewed and discussed GSI Technology's audited financial statements with management. 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 (Communication with Audit Committees). The Audit Committee has met with PricewaterhouseCoopers, 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.

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), 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 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, 2007.

THE AUDIT COMMITTEE  
Hsiang-Wen Chen  
Ruey L. Lu

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Overview

This Compensation Discussion and Analysis explains our compensation philosophy and the objectives, components and procedures with respect to the compensation of our Chief Executive Officer, Chief Financial Officer, and our other three most highly-compensated executive officers, which are collectively referred to as the named executive officers. We provide what we believe is a competitive total compensation package to our named executive officers through a combination of base salary, long-term equity incentive compensation and broad-based benefits programs. We place significant emphasis on compensation that is tied to company performance.

#### Philosophy and Objectives

Our fundamental compensation philosophy is to align the compensation of our senior management with our annual and long-term business objectives and performance and 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 overhead 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 but also perceived as fair, when considered both externally and internally. We have structured our compensation package to motivate executives to achieve our business objectives and reward the executives for achieving such objectives through a combination of base salary and long-term, stock-based incentive awards.

Historically, we have not retained compensation consultants to review our executive compensation policies. Instead, we have conducted an annual review of compensation for our employees, and salary adjustments have been made on a uniform basis to all of our employees, including our named executive officers. In our annual review, we have used publicly available compensation data from a number of our peer companies with whom we compete for talent.

We completed the initial public offering of our common stock in April 2007. Prior to our initial public offering, our Chief Executive Officer, in consultation with our Compensation Committee, determined the level of adjustment, if any, to the base salaries of our employees, including our executive officers. Additionally, prior to our initial public offering, our Chief Executive Officer approved the grant of stock options annually to our employees, including our executive officers, other than himself. Since our initial public offering, our Compensation Committee has assumed the role of determining any changes in the compensation of our executive officers, granting options, and implementing any changes to our benefit plans. We anticipate that our Compensation Committee will continue the practice of making employee salary decisions shortly after the beginning of each fiscal year and that the Committee may reevaluate the procedures used in determining changes to our executive officers' compensation.

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.

## Components of Compensation

In order to align executive compensation with our compensation philosophy, our executive compensation package generally contains two components: (i) base salary, and (ii) 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 company-wide adjustment. 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. Aside from the sales commission plan described below, we have historically not provided cash bonuses in order to conserve cash and because we believe our stock-based awards provide adequate incentives for our executive officers.

### *Base Salary*

The base salaries of our executive officers are initially set based on their experience, expected contribution, geographical location and market factors. Historically, the base salaries of our executive officers have been adjusted on the basis of our annual Company-wide compensation review. For fiscal 2007, our review of compensation data from comparable companies and inflation levels indicated that an increase of four percent was needed to keep the base salaries of our employees competitive with the market. As a result of this analysis, in April 2006, we increased the base salaries of all of our employees, including each of our named executive officers, by four percent.

### *Commission Plan for Regional Sales Managers*

We maintain a variable compensation cash bonus plan to motivate our sales team to identify and secure new customers and distributors, achieve design wins and increase revenue growth. Didier Lasserre, our Vice President, Sales, is entitled to participate in this plan on the same terms as our regional sales managers. The terms of Mr. Lasserre's commission plan are determined annually by our Chief Executive Officer and Mr. Lasserre.

The sales commission bonus for Mr. Lasserre in calendar 2006 was linked to the achievement of certain specified objectives and design and billing quotas. Mr. Lasserre's performance objectives included the execution of agreements with distributors and commitments from an important customer that it would qualify and evaluate certain of our products. The terms of Mr. Lasserre's sales commission plan provided for him to earn up to \$27,000 if the plan's targets were fully met. For calendar 2006, Mr. Lasserre earned bonuses totaling \$25,688 as a result of his participation in the sales commission plan. We pay commissions under the plan at six month intervals in an effort to balance the administrative burden of calculating commission payments with our desire to keep our regional sales managers motivated.

We have not yet established the sales commission plan for 2007, but anticipate that the plan will cover fiscal 2008 rather than calendar 2007. We expect that the commission plans for our regional sales managers in fiscal 2008 will be more focused on revenue growth linked to design and billing targets, and less on the achievement of other objectives.

*Cash Compensation*

The total cash compensation of each of our named executive officers in fiscal 2007, inclusive of base salary and commissions, was:

Name			Principal Position	Fiscal 2007 Base Salary (\$)	Calendar 2006 Commissions Paid (\$)	Fiscal 2007 Total Cash Compensation Earned (\$)
Lee-Lean Shu			President and Chief Executive Officer	204,955		204,955