Risk Factors Comparison 2023-06-28 to 2022-06-29 Form: 10-K

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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. Risk Factor Summary Our business is subject to numerous risks and uncertainties, which are more fully described in the Risk Factors below. These risks include, but are not limited to: Risks Related to Our Business and Financial Condition ● Unpredictable fluctuations in our operating results could cause our stock price to decline. ● Our largest OEM customer accounts for a significant percentage of our net revenues. If this customer, or any of our other major customers, reduces the amount they purchase ~~or~~ **,** stops purchasing our products **or fails to pay us** , our financial position and operating results will suffer. ~~Any significant order cancellations or order deferrals could adversely affect our operating results.~~ ● ~~The~~ **Rising interest rates, worldwide inflationary pressures, bank failures, the** military conflict in Ukraine, **significant fluctuations** ~~the rapid rise~~ in energy prices and the **decline in the** ~~ongoing COVID- 19~~ global ~~pandemic~~ **economic environment** may continue to adversely affect our financial condition. ● We have incurred significant losses and may incur losses in the future. ● We have identified a material weakness in our internal control over financial reporting, and if our remediation of such material weakness is not effective, our ability to produce timely and accurate financial statements could be impaired **. ● Goodwill impairment and related charges, as well as other accounting charges or adjustments could negatively impact our operating results** . ● We depend upon the sale of our Very Fast SRAMs for most of our revenues and the market for Very Fast SRAMs is highly competitive. ● **If we do not successfully implement certain cost reduction initiatives, we may suffer adverse impacts on our business and operations. ●** We are dependent on a number of single source suppliers. ● If we do not successfully develop and introduce **the** new **in- place associative computing** products, which entails certain significant risks, our business will be harmed. ● If we are unable to offset increased wafer fabrication and assembly costs, our gross margins will suffer. ● We are subject to the highly cyclical nature of the networking and telecommunications markets. ● We rely heavily on distributors and our business will be negatively impacted if we are unable to develop and manage distribution channels and accurately ~~predict~~ **forecast** future sales through our distributors. ● The average selling prices of our products are expected to decline. ● We are substantially dependent on the continued services ~~and performance~~ of our senior management and other key personnel. If we are unable to recruit or retain qualified personnel, our business ~~and product development efforts~~ could be harmed. ● Cyber- attacks could disrupt our operations or the operations of our partners, and result in reduced revenue, increased costs, liability claims and harm our reputation or competitive position. ● Demand for our products may decrease if our OEM customers experience difficulty manufacturing, marketing or selling their products. ● Our products have lengthy sales cycles that make it difficult to plan our expenses and forecast results. ● Our business could be negatively affected as a result of actions of activist stockholders or others. ● Our acquisition of companies or technologies could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results. ● Our business will suffer if we are unable to protect our intellectual property or if there are claims that we infringe third party intellectual property rights. ● **Current unfavorable economic and market conditions may adversely affect our business, financial condition, results of operations and cash flows. ●** If our business grows, such growth may place a significant strain on our management and operations. Risks Related to Manufacturing and Product Development ● We may experience difficulties in transitioning our manufacturing process technologies, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses. ● Manufacturing process technologies are subject to rapid change and require significant expenditures ~~for research and development~~ . ● Our products may contain defects, which could reduce revenues or result in claims against us. ~~Risks~~ **18Risks** Related to Our International Business and Operations ● The international political, social and economic environment, particularly as it relates to Taiwan, may affect our business performance. ● Certain of our independent suppliers and OEM customers have operations in the Pacific Rim, an area subject to significant risk of natural disasters and outbreak of contagious diseases such as COVID- 19. ● The United States could materially modify certain international trade agreements, or change tax provisions related to the global manufacturing and sales of our products. ~~17~~ ● Some of our products are incorporated into advanced military electronics, and changes in international geopolitical circumstances and domestic budget considerations may hurt our business. Risks Relating to Our Common Stock and the Securities Market ● The trading price of our common stock is subject to fluctuation and is likely to be volatile. ● We may need to raise additional capital in the future, which may not be available on favorable terms or at all, and which may cause dilution to existing stockholders. ● 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. ● Our executive officers, directors and their affiliates hold a substantial percentage of our common stock. ● The provisions of our charter documents might inhibit potential acquisition bids that a stockholder might believe are desirable, and the market price of our common stock could be lower as a result. Risks Related to Our Business and Financial ConditionUnpredictable 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, ~~2022~~ **2023** , we recorded net revenues of as much as $ ~~13~~ **9** . 0 million and as little as $ ~~6~~ **5** . ~~6~~ **4** million ~~, including net revenues varying from $ 6. 6 million to $ 8. 8 million in the last eight quarters~~ , and operating losses from $ ~~229, 000~~ **2. 9 million** to $ 5. 7 million ~~, and varying from $ 2. 9 million and $ 5. 7 million in the last eight quarters ended~~

~~March 31, 2022~~. 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 ~~. For the last nine consecutive quarters, our net revenues were adversely impacted by the COVID- 19 global pandemic. In future periods, we may not have any revenue growth, or our revenues could decline or continue to be further adversely impacted by the COVID- 19 global pandemic~~. Furthermore, if our operating expenses exceed our expectations, our financial performance could be adversely affected. Factors that may affect periodic operating results in the future include: ● commercial acceptance of our associative computing products; ● commercial acceptance of our RadHard and RadTolerant products; ● changes in our customers' inventory management practices; ● unpredictability of the timing and size of customer orders, since most of our customers purchase our products on a purchase order basis rather than pursuant to a long- term contract; ● changes in our product pricing policies, including those made in response to new product announcements, pricing changes of our competitors and price increases by our foundry and suppliers; ● our ability to anticipate and conform to new industry standards; ● fluctuations in availability and costs associated with materials and manufacturing services needed to satisfy customer requirements caused by supply constraints; ~~18~~ **19 ● restructuring, asset and goodwill impairment and related charges, as well as other accounting changes or adjustments;** ● manufacturing defects, which could cause us to incur significant warranty, support and repair costs, lose potential sales, harm our relationships with customers and result in write-downs; and ● our ability to address technology issues as they arise, improve our products' functionality and expand our product offerings. Our expenses are, to a large extent, fixed, and we expect that these expenses will increase in the future. In fiscal years ~~2021 and~~ 2022 **and 2023**, we experienced ~~, and we expect to continue to experience~~ price increases for raw materials, including a 20 % increase in the price of wafers ~~received~~ **that was implemented** in early calendar 2022 ~~,~~ and **a 6 % increase that was implemented in early calendar 2023, as well as varying pricing increases for** manufacturing services due to the supply chain constraints in the semiconductor market **. We expect to experience additional price increases for raw materials in fiscal year 2024 due to worldwide inflationary pressures**. We 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. ~~The~~ **Rising interest rates, worldwide inflationary pressures, bank failures, the** military conflict in Ukraine, **significant fluctuations** ~~the rapid rise~~ in energy prices and the ~~COVID- 19~~ **decline in the** global ~~pandemic~~ **economic environment** have caused increased stock market volatility and uncertainty in customer demand and the worldwide economy in general, and we may continue to experience decreased sales and revenues in the future. We expect such impact will in particular affect our SRAM sales and has also impacted the launch of our APU product to some degree and the adoption of RadHard and RadTolerant SRAM products by aerospace and military customers. However, the magnitude of such impact on our business and its duration is highly uncertain. Our largest OEM customer accounts for a significant percentage of our net revenues. If this customer, or any of our other major customers, reduces the amount they purchase or stop purchasing our products, our operating results will suffer. Nokia, our largest customer, purchases our products directly from us and through contract manufacturers and distributors. Purchases by Nokia represented approximately **17 %,** 29 % ~~,~~ **and** 39 % ~~and 38 %~~ of our net revenues in fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, respectively. We expect that our operating results in any given period will continue to depend significantly on orders from our key OEM customers, particularly Nokia, and our future success is dependent to a large degree on the business success of this customer over which we have no control. We do not have long- term contracts with Nokia or any of our other major OEM customers, distributors or contract manufacturers that obligate them to purchase our products. We expect that future direct and indirect sales to Nokia and our other key OEM customers will continue to fluctuate significantly on a quarterly basis and that such fluctuations may substantially affect our operating results in future periods. If we fail to continue to sell to our key OEM customers, distributors or contract manufacturers in sufficient quantities, our business could be harmed. ~~The~~ **Rising interest rates, worldwide inflationary pressures, bank failures, the** military conflict in Ukraine, **significant fluctuations** ~~the rapid rise~~ in energy prices and ~~other~~ -- **the** ~~inflation and~~ **resulting decline in** the ~~ongoing COVID- 19~~ global ~~pandemic may continue~~ **economic environment are expected** to adversely affect our revenues, results of operations and financial condition. Our business ~~may~~ **is expected to** be materially adversely affected by **rising interest rates, worldwide inflationary pressures, bank failures, the** military conflict in Ukraine ~~,~~ **and** the ~~rapid rise~~ **significant fluctuations** in energy prices ~~and~~ **, all of which are contributing to a decline in** ~~other~~ -- **the** ~~inflation and the ongoing the COVID- 19~~ global ~~pandemic~~ **economic environment**. **Our quarterly revenues** ~~Since 2020, national, state and local governments in affected regions~~ have ~~implemented,~~ **been flat** and ~~may~~ **trended downward in the past year due to the decline in the global economic environment that has resulted in less demand for GSI' s products. We expect that a** ~~continue~~ **continued** ~~to implement~~ **rise in interest rates**, **continued inflationary pressures** ~~safety precautions which include quarantines~~, ~~travel restrictions~~ **recent bank failures**, **continued uncertainties in the** business **climate 20caused** ~~closures, cancellations of public gatherings and other measures as they deem necessary. Many organizations and individuals, including the Company and our employees, have taken additional steps to avoid or reduce infection, including limiting travel and working from home. These measures have disrupted normal business operations both in and outside of affected areas and have had significant negative impacts on businesses and financial markets worldwide. We continue to monitor our operations and government recommendations and have made modifications to our normal operations because of the COVID- 19 global pandemic. We have instituted many preventative measures 19and are regularly evaluating those measures and others as we continue to better understand our current and future operating environment. From March 2020 through April 2022, except for our employees located in Taiwan, the majority of our employees worked from home around the world. In May 2021, due to a surge in COVID- 19 infections in Taiwan, our Taiwan employees worked from home under alternating schedules, and returned to their offices in July 2021. During the pandemic we were able to maintain a substantial portion of our manufacturing operational capacity at our primary manufacturing support facility located in Hsin Chu, Taiwan where our suppliers are located and where all of our products are manufactured. Since the outbreak of~~

~~COVID- 19, aside from the lengthening of lead times for wafers and assembly services and some price increases, including a 20 % increase in the cost of wafers received in early calendar 2022, we have experienced minimal impact, and continue to experience minimal impact, on our manufacturing operations in Taiwan. Final testing of our product is conducted in house. Shipping and receiving operations at our Sunnyvale headquarters facility were maintained~~ by ~~a skeleton crew with minimal impact. Our revenues were impacted by changes in customer buying patterns and communication limitations related to COVID- 19 restrictions that required a significant number of our customer contacts to work from home. We adapted our sales strategies for~~ the ~~COVID- 19 environment where we could not do face- to- face meetings and conduct secure meetings with government and defense contractors. The~~ military conflict in Ukraine and **related fluctuations** ~~the rapid rise~~ in energy prices ~~may~~ **will adversely impact demand for new and existing products, and to impact the mindset of potential commercial partners to launch new products using GSI' s technology. The resulting decline in the global economic environment is expected to** have an adverse impact on our business and financial condition. **Disruptions** ~~We experienced, and may continue to experience, a number of adverse impacts as a result of the COVID- 19 global pandemic, including reductions~~ in ~~demand for our products, delays and cancellations of orders, difficulties in obtaining raw materials and components, inflation and other~~ -- **the capital** ~~price increases, shortages of labor to manufacture products, inefficiencies caused by remote worker' s difficulties in performing their normal work outputs, closures of the facilities of some of our suppliers and customers, delays in shipments and delays in collecting accounts receivable. If the pandemic continues, it may have an~~ **and** ~~adverse effect on our results of operations,~~ financial ~~position, and liquidity the future. This could include results from new information that may emerge concerning COVID- 19 and any actions taken to contain or treat COVID- 19, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID- 19 within our financial statements and there may be changes to those estimates in future periods. The disruption to the marketplace that resulted from the COVID- 19 global pandemic and that we may continue to experience is unlike anything we have ever had to deal with. While we continue to monitor the business metrics that we have historically used to predict our financial performance, we are uncertain as to whether these metrics will operate consistently with our historical experience. Disruptions in the capital~~ markets as a result of **rising interest rates, worldwide inflationary pressures, bank failures,** the military conflict in Ukraine, **significant fluctuations** ~~the rapid rise~~ in energy prices and ~~other~~ -- **the** ~~inflation and~~ **decline in** the ~~COVID- 19~~ global ~~pandemic~~ **economic environment** may also adversely affect our ability to obtain additional liquidity should the impacts of **a decline in** the global ~~pandemic~~ **economic environment** continue for a prolonged period. We have incurred significant losses and may incur losses in the future. We have incurred significant losses. We incurred net losses of $ 16. **0 million, $ 16.** 4 million ~~,~~ **and** $ 21. 5 ~~million and $ 10. 3~~ million during fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, respectively. There can be no assurance that our Very Fast SRAMs will continue to receive broad market acceptance, that our new product development initiatives will be successful or that we will be able to achieve sustained revenue growth or profitability. We have identified a material weakness in our internal control over financial reporting, and if our remediation of such material weakness is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired. **In** ~~Section 404 of the Sarbanes- Oxley Act of 2002 requires that companies evaluate and report on the effectiveness of their~~ -- **the course of preparing our financial statements for the fiscal year ended March 31, 2022, we identified a material weakness in our** internal control over financial reporting **which remained un- remediated at** ~~. In addition, we engaged our independent registered 20public accounting firm to report on its evaluation of those controls. As disclosed in more detail under Part II, Item 9A, " Controls and Procedures ", we have identified a material weakness in our internal control as of~~ March 31, ~~2022~~ **2023** ~~related to the calculation of the contingent consideration liability. In the course of preparing our financial statements for the fiscal year ended March 31, 2022, we identified a material weakness in our internal control over financial reporting~~ . A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified pertains to the design **and maintenance** of ~~the~~ control over the review of the forecasts used to calculate the contingent consideration liability **, used in the goodwill impairment test** and used in the recoverability test for intangible assets. **This material weakness has not been remediated as of March 31, 2023.** Our management is taking steps to remediate our material weakness, including re- evaluating the methodology and procedures involved in developing forecasts **as well as the review and oversight of the forecasting process. We are in the process of implementing a detailed plan for the remediation of the material weakness, including enhancing management' s review controls over the forecasts** used to calculate the contingent consideration liability **, used in the recoverability test for intangible assets and used in the goodwill impairment test. Although we have begun implementing the enhancements described above, the material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management** ~~as~~ **has** ~~well as~~ **concluded, through testing, that** ~~the~~ **these** ~~review~~ **controls are operating effectively. Until this material weakness is remediated, we plan to continue to perform additional analyses** and ~~oversight of the~~ **other** ~~forecasting process~~ **procedures to ensure that our consolidated financial statements are prepared in accordance with GAAP** . If we are unable to further implement and maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price. If we are unable to assert that our internal control over financial reporting is effective, ~~or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting,~~ investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by Nasdaq, the SEC or other regulatory authorities, which could require additional financial and management resources. ~~Furthermore~~ **21Furthermore** , we cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weakness in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could adversely affect the results of periodic management evaluations **. If we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which would negatively impact our operating results. Goodwill represents the difference between the purchase price and the estimated fair value of the identifiable assets acquired and liabilities assumed in a business combination, such as our acquisition of MikaMonu Group Ltd. in fiscal 2016. We test for goodwill impairment on** ~~and~~ - **an** annual **basis,** ~~independent registered public accounting firm attestation reports regarding the effectiveness of our~~ - **or** ~~internal control over financial~~ **more frequently if events or changes in circumstances indicate that the asset is more likely than not impaired. If the carrying value of a material asset is determined to be impaired, it will be written down to fair value by a charge to operating earnings. As of March 31, 2023, we had a goodwill balance of $ 8. 0 million and intangible assets of $ 1. 8 million, respectively, from the MikaMonu acquisition. An adverse change in market conditions, including a sustained decline in our stock price, loss of significant customers, or a weakened demand for our products could be considered to be an impairment triggering event. If such change has the effect of changing one of our critical assumptions or estimates, a change to the estimation of fair value could result in an impairment charge to our goodwill or intangible assets, which would negatively impact our operating results and harm our business. In the fiscal year ended March 31, 2023, we identified sustained declines in our stock price that resulted in our market capitalization being below the carrying value of our stockholders' equity. We concluded the sustained declines in our stock price were triggering events and proceeded with quantitative goodwill impairment assessments. The results of the quantitative goodwill impairment assessments that we performed indicated the fair value of our sole** reporting ~~that we are required to include in our periodic reports that are filed with the SEC~~ **unit exceeded its carrying value as of December 31, 2022, February 28, 2023 and March 31, 2023** . We depend upon the sale of our Very Fast SRAMs for most of our revenues, and a downturn in demand for these products could significantly reduce our revenues and harm our business. We derive most of our revenues from the sale of Very Fast SRAMs, and we expect that sales of these products will represent the substantial majority of our revenues for the foreseeable future. Our business depends in large part upon continued demand for our products in the markets we currently serve, which will continue to be adversely impacted by the ~~COVID- 19~~ **decline in the** global ~~pandemic~~ **economic environment** , and adoption of our products in new markets. Market adoption will be dependent upon our ability to increase customer awareness of the benefits of our products and to prove their high- performance and cost- effectiveness. We may not be able to sustain or increase our revenues from sales of our products, particularly if the networking and telecommunications markets were to experience another significant downturn in the future. Any decrease in revenues from sales of our products could harm our business more than it would if we offered a more diversified line of products. ~~21Our~~ - **Our** future success is substantially dependent on the successful introduction of ~~our~~ new ~~APU~~ **in- place associative computing** products which entails significant risks. Since 2015, our principal strategic objective has been the development of our first in- place associative computing product. We have devoted, and will continue to devote, substantial efforts and resources to the development of our new family of in- place associative computing products. This ongoing project involves the commercialization of new, cutting- edge technology, will require a continuing substantial effort during fiscal ~~2023~~ **2024** ~~and~~ **22and** will be subject to significant risks. In addition to the typical risks associated with the development of technologically advanced products, this project will be subject to enhanced risks of technological problems related to the development of this entirely new category of products, substantial risks of delays or unanticipated costs that may be encountered, and risks associated with the establishment of entirely new markets and customer and partner relationships. The establishment of new customer and partner relationships and selling our in- place associative computing products to such new customers is a significant undertaking that requires us to invest heavily in our sales team, enter into new channel partner relationships, expand our marketing activities and change the focus of our business and operations. Our inability to successfully establish a market for the product that we have developed will have a material adverse effect on our future financial and business success, including our prospects for increased revenues. Additionally, if we are unable to meet the expectations of market analysts and investors with respect to this major product introduction effort, then the price of our common stock could fall. We are dependent on a number of single source suppliers, and if we fail to obtain adequate supplies, our business will be harmed and our prospects for growth will be curtailed. We currently purchase several key components used in the manufacture of our products from single sources and are dependent upon supply from these sources to meet our needs. If any of these suppliers cannot provide components on a timely basis, at the same price or at all, our ability to manufacture our products will be constrained and our business will suffer. For example, due to **worldwide inflationary pressures** ~~the COVID- 19 global pandemic~~ , ~~we could see additional disruptions in our supply chain beyond~~ the **cost** ~~longer lead- times for the purchase~~ of wafers and assembly services ~~that we are currently experiencing~~ **have increased by approximately 25 % since the beginning of fiscal 2021** . Most significantly, we obtain wafers for our Very Fast SRAM and APU products from a single foundry, TSMC, and most of them are packaged at ASE. If we are unable to obtain an adequate supply of wafers from TSMC or find alternative sources in a timely manner, we will be unable to fulfill our customer orders and our operating results will be harmed. We do not have supply agreements with TSMC, ASE or any of our other independent assembly and test suppliers, and instead obtain manufacturing services and products from these suppliers on a purchase- order basis. Our suppliers, including

TSMC, have no obligation to supply products or services to us for any specific product, in any specific quantity, at any specific price or for any specific time period. As a result, the loss or failure to perform by any of these suppliers could adversely affect our business and operating results. Should any of our single source suppliers experience manufacturing failures or yield shortfalls, be disrupted by ~~the COVID- 19 global pandemic,~~ natural disaster **, military action** or political instability, choose to prioritize capacity or inventory for other uses or reduce or eliminate deliveries to us for any other reason, we likely will not be able to enforce fulfillment of any delivery commitments and we would have to identify and qualify acceptable replacements from alternative sources of supply. In particular, if TSMC is unable to supply us with sufficient quantities of wafers to meet all of our requirements, we would have to allocate our products among our customers, which would constrain our growth and might cause some of them to seek alternative sources of supply. Since the manufacturing of wafers and other components is extremely complex, the process of qualifying new foundries and suppliers is a lengthy process and there is no assurance that we would be able to find and qualify another supplier without materially adversely affecting our business, financial condition and results of operations. ~~22If~~ **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 ~~, including APU 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~~ **23technologies** that could enable the development of products that feature higher performance or lower cost. In addition, the trend toward incorporating SRAM into other chips in the networking and telecommunications markets has the potential to reduce future demand for Very Fast SRAM products. We may experience development, marketing and other technological difficulties that may delay or limit our ability to respond to technological changes, evolving industry standards, competitive developments or end- user requirements. For example, because we have limited experience developing integrated circuits, or IC, products other than Very Fast SRAMs, our efforts to introduce new products ~~, including APU products,~~ may not be successful and our business may suffer. Other challenges that we face include: ~~•~~ **·** our products may become obsolete upon the introduction of alternative technologies; ~~•~~ **·** we may incur substantial costs if we need to modify our products to respond to these alternative technologies; ~~•~~ **·** we may not have sufficient resources to develop or acquire new technologies or to introduce new products capable of competing with future technologies; ~~•~~ **·** new products that we develop may not successfully integrate with our end- users' products into which they are incorporated; ~~•~~ **·** we may be unable to develop new products that incorporate emerging industry standards; ~~•~~ **·** we may be unable to develop or acquire the rights to use the intellectual property necessary to implement new technologies; and ~~•~~ **·** when introducing new or enhanced products, we may be unable to **effectively** manage ~~effectively~~ the transition from older products **. If we do not successfully implement the cost reduction initiatives that were announced on November 30, 2022, we may suffer adverse impacts on our business and operations. On November 30, 2022, we announced the implementation of cost reduction initiatives. The cost reduction initiatives are expected to be completed by September 30, 2023, and will result in an approximate 15 % decrease in our global workforce. The aim of these initiatives is to reduce GSI Technology' s operating expenses by approximately $ 7. 0 million on an annualized basis, primarily from salary reductions related to reduced headcount and salary decreases for certain retained employees, as well as targeted reductions in research and development spending. The implementation of these cost reduction initiatives may result in unintended and adverse impacts on our business and operations. Any failure to successfully implement the cost reduction initiatives could prevent us from focusing our operational resources on advancing GSI Technology' s proprietary APU technology** . If we are unable to offset increased wafer fabrication and assembly costs by increasing the average selling prices of our products, our gross margins will suffer. If there is a significant upturn in the demand for the manufacturing and assembly of semiconductor products as ~~has~~ occurred in **fiscal 2022** ~~recent quarters as a result of the COVID- 19 global pandemic~~ , the available supply of wafers and packaging services may be limited. As a result, we could be required to obtain additional manufacturing and assembly capacity in order to meet increased demand. Securing additional manufacturing and assembly capacity may cause our wafer fabrication and assembly **costs to increase. Inflationary pressures may also cause our wafer fabrication** costs to increase. If we are unable to offset these increased costs by increasing the average selling prices of our products, our gross margins will decline. ~~23We~~ **We** are subject to the highly cyclical nature of the networking and telecommunications markets. Our Very Fast SRAM products are incorporated into routers, switches, wireless local area network infrastructure equipment, wireless base stations and network access equipment used in the highly cyclical ~~networking~~ **24networking** 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 cyclicality. The market for Very Fast SRAMs is highly competitive. The market for Very Fast SRAMs, which are used primarily in networking and telecommunications equipment, is characterized by price erosion, rapid technological change, cyclical market patterns and intense foreign and domestic competition. Several of our competitors offer a broad array of memory products and have greater financial, technical, marketing, distribution and other resources than we have. Some of our competitors maintain their own semiconductor fabrication facilities, which may provide them with capacity, cost and technical advantages over us. We cannot assure you that we will be able to compete successfully against any of these competitors. Our ability to compete successfully in this market depends on factors both within and outside of our control, including: ~~•~~ **·** real or perceived imbalances in supply and demand of Very Fast SRAMs; ~~•~~ **·** the rate at which OEMs incorporate our products into their systems; ~~•~~ **·** the success of our customers' products; ~~•~~ **·** the price of our competitors' products relative to the price of our products; ~~•~~ **·** our ability to develop and market new products; and ~~•~~ **·** the supply and cost of wafers. ~~We recently~~ **In fiscal 2022 and 2023 we** experienced ~~a~~ **increases of** 20 % ~~increase~~ **and 6 %, respectively,** in wafer fabrication costs due to supply chain constraints, which resulted in us increasing **the cost of our products. Inflationary pressures are expected to result in additional increases in our wafer fabrication costs, which may require us to further increase** the cost of our products. Our customers may decide to purchase products from our competitors rather than accept these price increases and our business may suffer. There can be no assurance that we will be able to compete successfully in the future. Our failure to compete successfully in these or other areas could harm our business. We rely heavily on distributors and our success depends on our ability to develop and manage our indirect distribution channels. A significant percentage of our sales are made to distributors and to contract manufacturers who incorporate our products into end products for OEMs. For example, in fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, our largest distributor Avnet Logistics accounted for **48. 1 %,** 38. 0 % ~~,~~ **and** 29. 8 ~~% and 34. 3~~ %, 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. ~~24The~~ -- **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~~ **25margins** despite a decline in the average selling prices of our products will depend on a variety of factors, including our ability to introduce lower cost versions of our existing products, increase unit sales volumes of these products, and introduce new products with higher prices and greater margins. If we fail to accomplish any of these objectives, our business will suffer. To reduce our costs, we may be required to implement design changes that lower our manufacturing costs, negotiate reduced purchase prices from our independent foundries and our independent assembly and test vendors, and successfully manage our manufacturing and subcontractor relationships. Because we do not operate our own wafer foundry or assembly facilities, we may not be able to reduce our costs as rapidly as companies that operate their own foundries or facilities. We are substantially dependent on the continued services and performance of our senior management and other key personnel. Our future success is substantially dependent on the continued services and continuing contributions of our senior management who must work together effectively in order to design our products, expand our business, increase our revenues and improve our operating results. Members of our senior management team have long- standing and important relationships with our key customers and suppliers. The loss of services, whether as a result of illness, resignation, retirement or death, of Lee- Lean Shu, our President and Chief Executive Officer, Dr. Avidan Akerib, our Vice President of Associative Computing, any other executive officer or other key employee could significantly delay or prevent the achievement of our development and strategic objectives. We do not have employment contracts with, nor maintain key person insurance on, any of our executive officers or other key employees. System security risks, data protection, cyber- attacks and systems integration issues could disrupt our internal operations or the operations of our business partners, and any such disruption could harm our reputation or cause a reduction in our expected revenue, increase our expenses, negatively impact our results of operation or otherwise adversely affect our stock price. Security breaches, computer malware and cyber- attacks have become more prevalent and sophisticated ~~in recent years~~ and may increase in the future due to a number of our employees working from home and the potential for retaliatory cyber- attacks as a result of the military conflict in Ukraine. Experienced computer programmers and hackers may be able to penetrate our network security or the network security of our business partners, and misappropriate or compromise our confidential and proprietary information, create system disruptions or cause shutdowns. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions and delays that may impede our sales, manufacturing, distribution or other critical functions. We manage and store various proprietary information and sensitive or confidential data relating to our business on the cloud. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or confidential data about us, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our reputation or otherwise harm our business. In addition, the cost and operational consequences of implementing further data protection measures could be significant. ~~25Portions~~ -- **Portions** of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource- intensive than originally anticipated. Such disruptions could adversely impact our ability to attract and retain customers, fulfill orders and interrupt other processes and could adversely affect our business, financial results, stock price and reputation. ~~We~~ **26We** may be unable to accurately ~~predict~~ **forecast** future sales through our distributors, which could harm our ability to efficiently manage our resources to match market demand. Our financial results, quarterly product sales, trends and comparisons are affected by fluctuations in the buying patterns of the OEMs that purchase our products from our distributors. While we attempt to assist our distributors in maintaining targeted stocking levels of our products, we may not consistently be accurate or successful. This process involves the exercise of judgment and use of assumptions as to future uncertainties, including end user demand. Inventory levels of our products held by our distributors may exceed or fall below the levels we consider desirable on a going- forward basis. This could result in distributors returning unsold inventory to us, or in us not having sufficient inventory to meet the demand for our products. If we are not able to accurately ~~predict~~ **forecast** sales through our distributors or effectively manage our relationships with our distributors, our business and financial results will suffer. A small number of customers generally account for a significant portion of our accounts receivable in any period, and if any one of them fails to pay us, our financial position and operating results will suffer. At March 31, ~~2022~~ **2023** , three customers accounted for ~~34~~ **36** %, ~~28~~ **25** % and 19 % of our accounts receivable, respectively. If any of these customers do not pay us, our financial position and operating results will be harmed. Generally, we do not require collateral from our customers. Demand for our products may decrease if our OEM customers experience difficulty manufacturing, marketing or selling their products. Our products are used as components in our OEM customers' products, including routers, switches and other networking and telecommunications products. Accordingly, demand for our products is subject to factors affecting the ability of our OEM customers to successfully introduce and market their products, including: ~~●~~ **·** capital spending by telecommunication and network service providers and other end- users who purchase our OEM customers' products; ~~●~~ **·** the competition our OEM customers face, particularly in the networking and telecommunications industries; ~~●~~ **·** the technical, manufacturing, sales and marketing and management capabilities of our OEM customers; ~~●~~ **·** the financial and other resources of our OEM customers; and ~~●~~ **·** the inability of our OEM customers to sell their products if they infringe third-party intellectual property rights. As a result, if OEM customers reduce their purchases of our products, our business will suffer. ~~26Our~~ -- **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~~ **27OEM** customers' products. There can be no assurance that we will continue to achieve design wins or that any design win will result in future revenues. We are developing a subscription business model for certain of our new APU products, which will take time to implement and will be subject to execution risks. The sales cycle for subscription products is different from our hardware sales business and we will need to implement strategies to manage customer retention, which may be more volatile than the hardware sales to OEM customers. We anticipate that there will be quarterly fluctuations in the revenue and expenses associated with this new license- based business as we optimize the sales process for our target customers. Furthermore, because of the time it takes to build a meaningful subscription business, we expect to incur significant expenses relating to the subscription business before generating revenue from that new business. Our business could be negatively affected as a result of actions of activist stockholders or others. We may be subject to actions or proposals from stockholders or others that may not align with our business strategies or the interests of our other stockholders. Responding to such actions can be costly and time-consuming, disrupt our business and operations, and divert the attention of our board of directors, management, and employees from the pursuit of our business strategies. Such activities could interfere with our ability to execute our strategic plan. Activist stockholders or others may create perceived uncertainties as to the future direction of our business or strategy which may be exploited by our competitors and may make it more difficult to attract and retain qualified personnel and potential customers, and may affect our relationships with current customers, vendors, investors, and other third parties. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our board of directors. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities. 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~~ **There** has been significant litigation in the semiconductor industry involving patents and other intellectual property rights. We were previously involved in protracted patent infringement litigation, and we could become subject to additional claims or litigation in the future as a result of allegations that we infringe others' intellectual property rights or that our use of intellectual property otherwise violates the law. Claims that our products infringe the proprietary rights of others would force us to defend ourselves and possibly our customers, distributors or manufacturers against the alleged infringement. Any such litigation regarding intellectual property could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and results of operations. Similarly, changing our products or processes to avoid infringing the rights of others may be costly or impractical. If any claims received in the future were to be upheld, the consequences to us could require us to: ~~●~~ **·** stop selling our products that incorporate the challenged intellectual property; **·** ~~27 ●~~ 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~~ **28commercially** 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 acquisition of companies or technologies could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results. In November 2015, we acquired all of the outstanding capital stock of privately held MikaMonu Group Ltd., a development- stage, Israel- based company that specializes in in- place associative computing for markets including big data, computer vision and cyber security. We also acquired substantially all of the assets related to the SRAM memory device product line of Sony Corporation in 2009. We intend to supplement our internal development activities by seeking opportunities to make additional acquisitions or investments in companies, assets or technologies that we believe are complementary or strategic. Other than the MikaMonu and Sony acquisitions, we have not made any such acquisitions or investments, and therefore our experience as an organization in making such acquisitions and investments is limited. In connection with the MikaMonu acquisition, we are subject to risks related to potential problems, delays or unanticipated costs that may be encountered in the development of products based on the MikaMonu technology and the establishment of new markets and customer relationships for the potential new products. In addition, in connection with any future acquisitions or investments we may make, we face numerous other risks, including: ~~●~~ **·** difficulties in integrating operations, technologies, products and personnel; ~~●~~ **·** diversion of financial and managerial resources from existing operations; ~~●~~ **·** risk of overpaying for or misjudging the strategic fit of an acquired company, asset or technology; ~~●~~ **·** problems or liabilities stemming from defects of an acquired product or intellectual property litigation that may result from offering the acquired product in our markets; ~~●~~ **·** challenges in retaining key employees to maximize the value of the acquisition or investment; ~~●~~ **·** inability to generate sufficient return on investment; ~~●~~ **·** incurrence of significant one-time write- offs; and ~~●~~ **·** delays in customer purchases due to uncertainty. If we proceed with additional acquisitions or investments, we may be required to use a considerable amount of our cash, or to finance the transaction through debt or equity securities offerings, which may decrease our financial liquidity or dilute our stockholders and affect the market price of our stock. As a result, if we fail to properly evaluate and execute acquisitions or investments, our business and prospects may be harmed. ~~28If~~ **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~~ **29Our** business will suffer if we are unable to protect our intellectual property. Our success and ability to compete depends in large part upon protecting our proprietary technology. We rely on a combination of patent, trade secret, copyright and trademark laws and non- disclosure and other contractual agreements to protect our proprietary rights. These agreements and measures may not be sufficient to protect our technology from third- party infringement. Monitoring unauthorized use of our intellectual property is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. Our attempts to enforce our intellectual property rights could be time consuming and costly. In the past, we have been involved in litigation to enforce our intellectual property rights and to protect our trade secrets. Additional litigation of this type may be necessary in the future. Any such litigation could result in substantial costs and diversion of resources. If competitors are able to use our technology without our approval or compensation, our ability to compete effectively could be harmed. Any significant order cancellations or order deferrals could adversely affect our operating results. We typically sell products pursuant to purchase orders that customers can generally cancel or defer on short notice without incurring a significant penalty. Any significant cancellations or deferrals in the future could materially and adversely affect our business, financial condition and results of operations. Cancellations or deferrals could cause us to hold excess inventory, which could reduce our profit margins, increase product obsolescence and restrict our ability to fund our operations. We generally recognize revenue upon shipment of products to a customer. If a customer refuses to accept shipped products or does not pay for these products, we could miss future revenue projections or incur significant charges against our income, which could materially and adversely affect our operating results. If our business grows, such growth may place a significant strain on our management and operations and, as a result, our business may suffer. We are endeavoring to expand our business, and any growth that we are successful in achieving could place a significant strain on our management systems, infrastructure and other resources. To manage the potential growth of our operations and resulting increases in the number of our personnel, we will need to invest the necessary capital to continue to improve our operational, financial and management controls and our reporting systems and procedures. Our controls, systems and procedures may prove to be inadequate should we experience significant growth. In addition, we may not have sufficient administrative staff to support our operations. For example, we currently have only ~~five~~ **four** employees in our finance department in the United States, including our Chief Financial Officer. Furthermore, our officers have limited experience in managing large or rapidly growing businesses. If our management fails to respond effectively to changes in our business, our business may suffer ~~. 29Our 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~~. Risks Related to Manufacturing and Product DevelopmentWe may experience difficulties in transitioning to smaller geometry process technologies and other more advanced manufacturing process technologies, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses. In order to remain competitive, we expect to continue to transition the manufacture of our products to smaller geometry process technologies. This transition will require us to migrate to new manufacturing processes for our products and redesign certain products. The manufacture and design of our products is complex, and we may experience difficulty in transitioning to smaller geometry process technologies or new manufacturing processes. These difficulties could result in reduced manufacturing yields, delays in product deliveries and increased expenses. We are dependent on our relationships with TSMC to transition successfully to smaller geometry process technologies and to more advanced manufacturing processes. If we or TSMC experience significant delays in this ~~transition~~ **30transition** or fail to implement these transitions, our business, financial condition and results of operations could be materially and adversely affected. Manufacturing process technologies are subject to rapid change and require significant expenditures for research and development. We continuously evaluate the benefits of migrating to smaller geometry process technologies in order to improve performance and reduce costs. Historically, these migrations to new manufacturing processes have resulted in significant initial design and development costs associated with pre- production mask sets for the manufacture of new products with smaller geometry process technologies. For example, in the second quarter of fiscal 2019, we incurred approximately $ 1. 0 million in research and development expense associated with a pre- production mask set that will not be used in production as part of the transition to our new 28 nanometer SRAM process technology for our APU product. We will incur similar expenses in the future as we continue to transition our products to smaller geometry processes. The costs inherent in the transition to new manufacturing process technologies will adversely affect our operating results and our gross margin. ~~30Our~~ -- **Our** products are complex to design and manufacture and could contain defects, which could reduce revenues or result in claims against us. We develop complex products. Despite testing by us and our OEM customers, design or manufacturing errors may be found in existing or new products. These defects could result in a delay in recognition or loss of revenues, loss of market share or failure to achieve market acceptance. These defects may also cause us to incur significant warranty, support and repair costs, divert the attention of our engineering personnel from our product development efforts, result in a loss of market acceptance of our products and harm our relationships with our OEM customers. Our OEM customers could also seek and obtain damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. Defects in wafers and other components used in our products and arising from the manufacturing of these products may not be fully recoverable from TSMC or our other suppliers. Risks Related to Our International Business and OperationsChanges 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 or ~~armed conflict~~ **restrictions on transportation logistics for our products** resulting from changes in the relationship among the United States, Taiwan and the People' s Republic of China could **negatively impact our business. Any significant armed conflict related to this matter would be expected to materially and adversely** damage our business. Moreover, the role of the Taiwanese government in the Taiwanese economy is significant. Taiwanese policies toward economic liberalization, and laws and policies affecting technology companies, foreign investment, currency exchange rates, taxes and other matters could change, resulting in greater restrictions on our ability and our suppliers' ability to do business and operate facilities in Taiwan. If any of these changes were to occur, our business could be harmed and our stock price could decline. Our international business exposes us to additional risks. Products shipped to destinations outside of the United States accounted for **51. 4 %,** 53. 5 % ~~,~~ **and** 55. 4 % ~~and 59. 6 %~~ of our net revenues in fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, respectively. Moreover, a substantial portion of our products is manufactured and tested in Taiwan, and the software development for our associative computing products occurs in ~~Israel~~ **31Israel** . We intend to continue expanding our international business in the future. Conducting business outside of the United States subjects us to additional risks and challenges, including: ~~●~~ **·** potential political and economic instability in, or ~~foreign~~ **armed** conflicts that involve or affect, the countries in which we, our customers and our suppliers are located; **·** ~~● local authorities' decisions regarding travel restrictions, stay- at- home orders, testing requirements and other policies to address public health crises such as the COVID- 19 global pandemic which have an adverse impact on the economy and demand for our products; ●~~ uncertainties regarding taxes, tariffs, quotas, export controls and license requirements, trade wars, policies that favor domestic companies over nondomestic companies, including government efforts to provide for the development and growth of local competitors, and other trade barriers; ~~●~~ **·** heightened price sensitivity from customers in emerging markets; ~~●~~ **·** compliance with a wide variety of foreign laws and regulations and unexpected changes in these laws and regulations; ~~●~~ **·** fluctuations in freight rates and transportation disruptions; **·** ~~31 ●~~ difficulties and costs of staffing and managing personnel, distributors and representatives across different geographic areas and cultures, including assuring compliance with the U. S. Foreign Corrupt Practices Act and other U. S. and foreign anti- corruption laws; ~~●~~ **·** difficulties in collecting accounts receivable and longer accounts receivable payment cycles; and ~~●~~ **·** limited protection for intellectual property rights in some countries. Moreover, our reporting currency is the U. S. dollar. However, a portion of our cost of revenues and our operating expenses is denominated in currencies other than the U. S. dollar, primarily the New Taiwanese dollar and Israeli Shekel. As a result, appreciation or depreciation of other currencies in relation to the U. S. dollar could result in transaction gains or losses that could impact our operating results. We do not currently engage in currency hedging activities to reduce the risk of financial exposure from fluctuations in foreign exchange rates. TSMC, as well as our other independent suppliers and many of our OEM customers, have operations in the Pacific Rim, an area subject to significant risk of earthquakes, typhoons and other natural disasters and adverse consequences related to the outbreak of contagious diseases ~~such as COVID- 19~~. The foundry that manufactures our Fast SRAM and APU products, TSMC, and all of the principal independent suppliers that assemble and test our products are located in Taiwan. Many of our customers are also located in the Pacific Rim. The risk of an earthquake in these Pacific Rim locations is significant. The occurrence of an earthquake, typhoon or other natural disaster near the fabrication facilities of TSMC or our other independent suppliers could result in damage, power outages and other disruptions that impair their production and assembly capacity. Any disruption resulting from such events could cause significant delays in the production or shipment of our products until we are able to shift our manufacturing, assembling, packaging or production testing from the affected contractor to another third- party vendor. In such an event, we may not be able to obtain alternate foundry capacity on favorable terms, or at all. The **recent** COVID- 19 global pandemic, along with the previous outbreaks of SARS, H1N1 and the Avian Flu, ~~has~~ curtailed travel between and within countries, including in the Asia- Pacific region. Outbreaks of new contagious diseases or the resurgence of existing diseases that significantly affect the Asia- Pacific region could disrupt the operations of our key suppliers and manufacturing partners. In addition, our business could be harmed if such an outbreak resulted in travel being restricted, the implementation of stay- at- home or shelter- in- place orders or if it adversely affected the operations of our OEM customers or the demand for our products or our OEM customers' products. ~~We~~ **32We** do not maintain sufficient business interruption and other insurance policies to compensate us for all losses that may occur. Any losses or damages incurred by us as a result of a catastrophic event or any other significant uninsured loss in excess of our insurance policy limits could have a material adverse effect on our business. The United States could materially modify certain international trade agreements, or change tax provisions related to the global manufacturing and sales of our products. A portion of our business activities are conducted in foreign countries, including Taiwan and Israel. Our business benefits from free trade agreements, and we also rely on various U. S. corporate tax provisions related to international commerce as we develop, manufacture, market and sell our products globally. Any action to materially modify international trade agreements, change corporate tax policy related to international commerce or mandate domestic production of goods, could adversely affect our business, financial condition and results of operations. ~~32Some~~ -- **Some** of our products are incorporated into advanced military electronics, and changes in international geopolitical circumstances and domestic budget considerations may hurt our business. Some of our products are incorporated into advanced military electronics such as radar and guidance systems. Military expenditures and appropriations for such purchases rose significantly in recent years. However, if current U. S. military operations around the world are scaled back, demand for our products for use in military applications may decrease, and our operating results could suffer. Domestic budget considerations may also adversely affect our operating results. For example, if governmental appropriations for military purchases of electronic devices that include our products are reduced, our revenues will likely decline. Risks Relating to Our Common Stock and the Securities MarketThe trading price of our common stock is subject to fluctuation and is likely to be volatile. The trading price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including: ● the establishment of a market for our new associative computing products; ● actual or anticipated declines in operating results; ● changes in financial estimates or recommendations by securities analysts; ● the institution of legal proceedings against us or significant developments in such proceedings; ● announcements by us or our competitors of financial results, new products, significant technological innovations, contracts, acquisitions, strategic relationships, joint ventures, capital commitments or other events; ● changes in industry estimates of demand for Very Fast SRAM, RadHard and RadTolerant products; ● the gain or loss of significant orders or customers; ● recruitment or departure of key personnel; and ● market conditions in our industry, the industries of our customers and the economy as a whole. In recent years **,** the stock market in general, and the market for technology stocks in particular, have experienced extreme price fluctuations, which have often been unrelated to the operating performance of affected ~~companies~~ **33companies** . 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. ~~33We~~ **We** may need to raise additional capital in the future, which may not be available on favorable terms or at all, and which may cause dilution to existing stockholders. We may need to seek additional funding in the future. We do not know if we will be able to obtain additional financing on favorable terms, if at all. If we cannot raise funds on acceptable terms, if and when needed, we may not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, and we may be required to reduce operating costs, which could seriously harm our business. In addition, if we issue equity securities, our stockholders may experience dilution or the new equity securities may have rights, preferences or privileges senior to those of our common stock. Our executive officers, directors and entities affiliated with them hold a substantial percentage of our common stock. As of May 31, ~~2022~~ **2023** , our executive officers, directors and entities affiliated with them beneficially owned approximately 32 % of our outstanding common stock. As a result, these stockholders will be able to exercise substantial influence over, and may be able to effectively control, matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could have the effect of delaying or preventing a third party from acquiring control over or merging with us. The provisions of our charter documents might inhibit potential acquisition bids that a stockholder might believe are desirable, and the market price of our common stock could be lower as a result. Our Board of Directors has the authority to issue up to 5, 000, 000 shares of preferred stock. Our Board of Directors can fix the price, rights, preferences, privileges and restrictions of the preferred stock without any further vote or action by our stockholders. The issuance of shares of preferred stock might delay or prevent a change in control transaction. As a result, the market price of our common stock and the voting and other rights of our stockholders might be adversely affected. The issuance of preferred stock might result in the loss of voting control to other stockholders. We have no current plans to issue any shares of preferred stock. Our charter documents also contain other provisions, which might discourage, delay or prevent a merger or acquisition, including: ~~•~~ · our stockholders have no right to act by written consent; ~~•~~ · our stockholders have no right to call a special meeting of stockholders; and ~~•~~ · our stockholders must comply with advance notice requirements to nominate directors or submit proposals for consideration at stockholder meetings. These provisions could also have the effect of discouraging others from making tender offers for our common stock. As a result, these provisions might prevent the market price of our common stock from increasing substantially in response to actual or rumored takeover attempts. These provisions might also prevent changes in our management. ~~Use of a portion of our cash reserves to repurchase shares of our common stock presents potential risks and disadvantages to us and our continuing stockholders. From November 2008 through December 2021 we repurchased and retired an aggregate of 12, 004, 779 shares of our common stock at a total cost of $ 60. 7 million, including 3, 846, 153 shares repurchased at a total cost of $ 25 million pursuant to a modified " Dutch auction " self- tender offer that we completed in August 2014 and additional shares repurchased in the open market pursuant to our stock repurchase program. At March 31, 2022, we had outstanding authorization from our Board of Directors to purchase up to an additional $ 4. 3 million of our~~ 34