

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended December 27, 2008

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

For the Transition Period from _____ to _____

Commission File Number 0-27026

Pericom Semiconductor Corporation

(Exact Name of Registrant as Specified in Its Charter)

California
(State or Other Jurisdiction of
Incorporation or Organization)

77-0254621
(I.R.S. Employer
Identification No.)

3545 North First Street
San Jose, California 95134
(408) 435-0800

(Address of Principal Executive Offices and
Issuer's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 126-2 of the Exchange Act)

Yes No

As of February 3, 2009 the Registrant had outstanding 25,245,724 shares of Common Stock.

Explanatory Note

This Form 10-Q/A amends Pericom Semiconductor Corporation's (the Company) quarterly report on Form 10-Q for the quarter ended December 27, 2008, which was originally filed on February 5, 2009 (the "Original Form 10-Q"). The amendment is a result of the restatement of the Company's condensed consolidated financial statements and related financial information for the quarterly period ended December 27, 2008.

The Company is restating its previously filed financial statements and other financial information for the above referenced period to correct errors related to a misclassification of cost data during a conversion of our enterprise resource planning software. As a result of this error, cost of goods sold was understated by \$772,000; gross profit and operating income were overstated by \$772,000; and net income was overstated by \$579,000 for the three months ended December 27, 2008, as previously reported. In correcting this error, earnings per share on a fully diluted basis decreased \$0.03 per share to \$0.04 for the three month ended December 27, 2008. Also, the company restated its previously filed 10-Q for the quarter ended September 27, 2008. Net revenues were overstated by \$98,000; cost of goods sold were accumulated understated by \$663,000; gross profit and operating income were accumulated overstated by \$761,000; and net income was accumulated overstated by \$843,000 for the six months ended December 27, 2008, as previously reported. In correcting these errors, earnings per share on a fully diluted basis decreased \$0.03 per share to \$0.19 for the six months ended December 27, 2008.

Restated balances have been identified with the notation "As Restated" where appropriate. Throughout the financial statements, the term "as previously reported" will be used to refer to balances from the fiscal 2009 condensed consolidated financial statements as reported prior to restatement for the correction of errors.

Because this Form 10-Q/A sets forth the Original Form 10-Q in its entirety, it includes items that have been changed as a result of the restatement and items that are unchanged from the Original Form 10-Q. Other than the revising of the disclosures relating to the restatement, this Form 10-Q/A speaks as of the original filing date of the Original Form 10-Q and has not been updated to reflect other events occurring subsequent to the original filing date. This includes forward-looking statements and all other sections of this Form 10-Q/A that were not directly impacted by the restatement, which should be read in their historical context. However, the following items have been amended solely as a result of, and to reflect, the restatement:

Part I, Item 1 – Financial Statements

Part I, Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I, Item 4 – Controls and Procedures

Part II, Item 6 – Exhibits

The Company is including currently dated Sarbanes-Oxley Act Section 302 and Section 906 certifications of the Chief Executive Officer and Chief Financial Officer that are attached to this Form 10-Q/A as Exhibits 31 and 32.

This amended report should be read in conjunction with the two other amended Forms 10-Q and the Form 10-K for our fiscal year ended June 27, 2009, being filed on or around the same date as this amended report.

Additional information concerning the restatement and related matters is contained in the following sections of the Form 10-K: Part II, Item 9A, Controls and Procedures, and Part I, Item 1A, Risk Factors, "We and our independent registered public accounting firm determined that we had material weaknesses in our internal control over financial reporting as of the end of our most recent fiscal year, June 27, 2009. There can be no assurance that a material weakness will not arise in the future. As a result, current and

potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock", and "Our finance department has undergone, and continues to undergo, significant changes."

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PART I. FINANCIAL INFORMATION
Item 1: Condensed Consolidated Financial Statements

Pericom Semiconductor Corporation
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	December 27, 2008	June 28, 2008
	(Unaudited)	(1)
	(As Restated - See Note 2)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$26,888	\$41,646
Short-term investments	67,405	72,108
Accounts receivable		
Trade (net of allowances of \$1,432 and \$1,950)	26,856	29,002
Other receivables	5,561	1,684
Inventories	19,702	17,921
Prepaid expenses and other current assets	1,372	5,943
Deferred income taxes	3,957	3,344
Total current assets	151,741	171,648
Property, plant and equipment – net	33,759	29,173
Investments in unconsolidated affiliates	10,467	10,392
Deferred income taxes – non-current	4,549	4,543
Long-term investments in marketable securities	21,644	10,171
Goodwill	1,672	1,325
Intangible assets	1,924	1,140
Other assets	2,163	3,191
Total assets	\$227,919	\$231,583
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$11,202	\$13,431
Accrued liabilities	5,806	8,779
Total current liabilities	17,008	22,210
Long term debt	1,664	-
Deferred tax liabilities	800	800
Income tax liability	1,018	-
Minority interest in consolidated subsidiaries	1,187	1,118
Total liabilities	21,677	24,128
Shareholders' equity:		
Common stock and paid in capital - no par value, 60,000,000 shares authorized; shares issued and outstanding: December 27, 2008, 25,186,000; June 28, 2008, 25,703,000	129,488	132,028
Retained earnings	76,953	72,162
Accumulated other comprehensive income (loss), net of tax	(199)	3,265
Total shareholders' equity	206,242	207,455
Total liabilities and shareholders' equity	\$227,919	\$231,583

(1) The information in this column was derived from the Company's audited consolidated financial statements for the year ended June 28, 2008.

See notes to condensed consolidated financial statements.

Pericom Semiconductor Corporation
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 27, 2008	December 29, 2007	December 27, 2008	December 29, 2007
	(As Restated - See Note 2)		(As Restated - See Note 2)	
Net revenues	\$ 30,732	\$ 40,726	\$ 74,530	\$ 79,194
Cost of revenues	20,785	25,694	48,590	50,161
Gross profit	9,947	15,032	25,940	29,033
Operating expenses:				
Research and development	4,363	4,278	8,584	8,360
Selling, general and administrative	5,453	5,786	12,354	11,625
Restructuring charge	217	-	217	-
Total operating expenses	10,033	10,064	21,155	19,985
Income from operations	(86)	4,968	4,785	9,048
Interest and other income	1,264	1,622	2,370	2,992
Other than temporary decline in value of investment	-	-	(458)	-
Income before income taxes	1,178	6,590	6,697	12,040
Income tax expense (benefit)	(46)	2,344	1,884	4,035
Minority interest in income of consolidated subsidiaries	(23)	(19)	(68)	(16)
Equity in net income (loss) of unconsolidated affiliates	(71)	169	46	290
Net income	<u>\$ 1,130</u>	<u>\$ 4,396</u>	<u>\$ 4,791</u>	<u>\$ 8,279</u>
Basic income per share	<u>\$ 0.04</u>	<u>\$ 0.17</u>	<u>\$ 0.19</u>	<u>\$ 0.32</u>
Diluted income per share	<u>\$ 0.04</u>	<u>\$ 0.16</u>	<u>\$ 0.19</u>	<u>\$ 0.31</u>
Shares used in computing basic income per share	<u>25,418</u>	<u>25,888</u>	<u>25,549</u>	<u>25,817</u>
Shares used in computing diluted income per share	<u>25,496</u>	<u>26,959</u>	<u>25,868</u>	<u>26,669</u>

See notes to condensed consolidated financial statements.

Pericom Semiconductor Corporation
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended	
	December 27, 2008	December 29, 2007
	(As Restated - See Note 2)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,791	\$ 8,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,795	2,656
Stock based compensation	1,699	1,158
Tax benefit resulting from stock option transactions	68	1,997
Excess tax benefit resulting from stock option transactions	-	(1,084)
In process research and development	34	-
Other than temporary decline in the value of investments	458	-
Gain on sale of investments	(495)	-
Equity in net income of unconsolidated affiliates	(55)	(330)
Minority interest in consolidated subsidiary's net income (loss)	68	112
Deferred taxes	(625)	676
Changes in assets and liabilities net of effects of entities acquired:		
Accounts receivable	750	(5,707)
Inventories	(2,300)	(5,599)
Prepaid expenses and other current assets	914	(195)
Other assets	(184)	(821)
Accounts payable	(1,850)	3,538
Accrued liabilities	(1,172)	(984)
Other long term liabilities	-	(4)
Net cash provided by operating activities	5,896	3,692
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(8,821)	(5,432)
Purchase of available for sale investments	(68,262)	(66,209)
Maturities and sales of available for sale investments	61,159	45,570
Cash paid for PTL minority interest acquisition	(1,285)	-
Net cash used in investing activities	(17,209)	(26,071)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from common stock issuance under stock plans	740	6,741
Excess tax benefit on stock based compensation	-	1,084
Mortgage financing	1,669	-
Principal payments on long-term debt and capital leases	-	(784)
Repurchase of common stock	(4,979)	(5,238)
Net cash provided by (used in) financing activities	(2,570)	1,803
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(875)	67
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,758)	(20,509)
CASH AND CASH EQUIVALENTS:		
Beginning of period	41,646	29,173
End of period	\$ 26,888	\$ 8,664

See notes to condensed consolidated financial statements.

Pericom Semiconductor Corporation
Notes To Condensed Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared by Pericom Semiconductor Corporation (“Pericom” or the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, these unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments and accruals, necessary for a fair presentation of the Company’s financial position as of December 27, 2008, the results of operations for the three and six months ended December 27, 2008 and December 29, 2007 and cash flows for the six months ended December 27, 2008 and December 29, 2007. This unaudited quarterly information should be read in conjunction with the audited consolidated financial statements of Pericom and the notes thereto included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission on September 11, 2008.

The preparation of the interim condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from these estimates. The results of operations for the three and six month periods ended December 27, 2008 and December 29, 2007 are not necessarily indicative of the results to be expected for the entire year. The three and six month periods ended December 27, 2008 and December 29, 2007 each had 13 and 26 week periods, respectively.

The Company participates in a dynamic high technology industry and believes that changes in any of the following areas could have a material adverse effect on the Company’s future financial position or results of operations: advances and trends in new technologies; competitive pressures in the form of new products or price reductions on current products; changes in the overall demand for products offered by the Company; changes in customer relationships; acquisitions and the subsequent integration of the acquired entity with the Company; litigation or claims against the Company based on intellectual property, patent, product, regulatory or other factors; risks associated with changes in domestic and international economic and/or political conditions or regulations; availability of necessary components; and the Company’s ability to attract and retain employees necessary to support its growth.

These interim condensed consolidated financial statements include the accounts of Pericom Semiconductor Corporation and its wholly owned subsidiaries, Pericom Taiwan Limited Corporation (“PTL”), Pericom Semiconductor (HK) Limited and Pericom Asia Limited (“PAL”) as well as its majority owned subsidiary, SaRonix-eCERA Corporation (“SRe”). In January 2008, we initiated a project to build a factory in China for the development and manufacture of FCPs. We have established PSE Technology (Shandong) Corporation (“PSE”) in China to develop and operate the factory. PSE is a wholly-owned subsidiary of PAL. The Company eliminates all significant intercompany balances and transactions in consolidation.

Recently Issued Accounting Standards

Updates to recent accounting standards as disclosed in Pericom’s Annual Report on Form 10-K for the fiscal year ended June 28, 2008 are as follows:

In May 2008, the Company adopted SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (“SFAS 162”). SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS 162 is effective November 15, 2008. The adoption of SFAS 162 did not have an impact on the Company’s consolidated financial position or results of operation.

On June 29, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157") for financial assets and liabilities, which clarifies the meaning of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings or other comprehensive income when they occur. The effective date of the provisions of SFAS 157 for non-financial assets and liabilities is the fiscal year beginning June 28, 2009, except for items recognized at fair value on a recurring basis. The Company is currently evaluating the impact of the provisions for non-financial assets and liabilities. The adoption of SFAS 157 for financial assets and liabilities did not have an impact on the Company's consolidated financial position or results of operations. For additional information on the fair value of financial assets and liabilities, see Note 15, Fair Value Measurements.

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"). SFAS 141(R) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. SFAS 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of SFAS 141(R) are effective for the fiscal year beginning June 28, 2009. The Company is currently evaluating the impact of the provisions of SFAS 141(R).

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an Amendment of ARB No. 51* ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for a non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a non-controlling interest (minority interest) as equity in the consolidated financial statements separate from the parent's equity. The amount of net income attributable to the non-controlling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. The provisions of SFAS 160 are effective for the fiscal year beginning June 28, 2009 and the presentation and disclosure requirements must be applied retrospectively for all periods presented at that date. We are currently evaluating the impact that SFAS 160 will have on our financial statements.

2. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

On August 4, 2009, the Audit Committee of the Board of Directors of Pericom, following a review by and on the recommendation of the Company's management, concluded that the Company's financial statements for the quarter ended December 27, 2008 could no longer be relied upon due to a misclassification of cost data during a conversion of our enterprise resource planning software. As a result, the Company has restated the accompanying Condensed Consolidated Financial Statements as of and for the three and six months ended December 27, 2008 to correct for this accounting error.

Correction of an error related to unrealized gains or losses of investments

A previously reported unrealized loss on an investment has been corrected to present it as an other-than-temporary decline in value of investments in the amount of \$414,000 at September 27, 2008.

Correction of errors in accounting for inventory

Previously reported inventories net of reserves have been adjusted for an overstatement of reserves for certain leaded parts and oscillator products, thus increasing net inventory by \$109,000 with a corresponding decrease in cost of revenues. In addition, previously reported inventories have been adjusted

to correct an improperly recorded intercompany transaction, thus reducing inventory by \$98,000 with a corresponding decrease in net revenue.

Correction of an error related to misclassification of costs

Previously reported cost of revenues has been adjusted for an understatement of \$772,000 related to an error in recording of cost data during the company's conversion to new enterprise resource planning software during the three months ended December 27, 2008.

The following table presents the effect of the restatement on the consolidated balance sheet (in thousands):

	December 27, 2008		
	(As Reported)	(Adjustments)	(As restated)
ASSET			
Current Assets:			
Cash & cash equivalents	\$26,888	\$ -	\$ 26,888
Short-term investments	67,405	-	67,405
Accounts receivable			
Trade (net of allowances of \$1,432)	26,856	-	26,856
Other receivables	5,561	-	5,561
Inventories	19,691	11	19,702
Prepaid expenses and other current assets	1,085	287	1,372
Deferred income taxes	<u>3,957</u>	<u>-</u>	<u>3,957</u>
Total current assets	151,443	298	151,741
Property and equipment, net	33,759	-	33,759
Investments in unconsolidated affiliates	10,467	-	10,467
Deferred income taxes-non current	4,549	-	4,549
Long-term investments in marketable securities	21,644	-	21,644
Goodwill	1,672	-	1,672
Intangible assets (net of accumulated amortization of \$806)	1,924	-	1,924
Other assets	<u>2,163</u>	<u>-</u>	<u>2,163</u>
Total assets	<u>\$227,621</u>	<u>\$ 298</u>	<u>\$ 227,919</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$10,430	772	11,202
Accrued liabilities	<u>5,851</u>	<u>(45)</u>	<u>5,806</u>
Total current liabilities	16,281	727	17,008
Long term debt	1,664		1,664
Deferred tax liabilities	800	-	800
Income tax liability	1,018	-	1,018
Minority interest in consolidated subsidiaries	<u>1,187</u>	<u>-</u>	<u>1,187</u>
Total liabilities	20,950	727	21,677
Shareholders' equity:			
Common stock	129,488	-	129,488
Retained earnings	77,796	(843)	76,953
Accumulated other comprehensive income (loss), net of tax	<u>(613)</u>	<u>414</u>	<u>(199)</u>
Total shareholders' equity	<u>206,671</u>	<u>(429)</u>	<u>206,242</u>
Total liabilities and shareholders' equity	<u>\$ 227,621</u>	<u>\$ 298</u>	<u>\$ 227,919</u>

The following table presents the effect of the restatement on the consolidated statements of operations (in thousands except for per share amounts):

	Three Months Ended December 27, 2008			Six Months Ended December 27, 2008		
	(As previously Reported)	(Adjustments)	(As restated)	(As previously Reported)	(Adjustments)	(As restated)
Net revenues	\$ 30,732	\$ -	\$ 30,732	\$ 74,628	\$ (98)	\$ 74,530
Cost of revenues	20,013	772	20,785	47,927	663	48,590
Gross profit	10,719	(772)	9,947	26,701	(761)	25,940
Operating expenses:						
Research and development	4,363	-	4,363	8,584	-	8,584
Selling, general and administrative	5,453	-	5,453	12,354	-	12,354
Restructuring charge	217	-	217	217	-	217
Total	10,033	-	10,033	21,155	-	21,155
Income from operations	686	(772)	(86)	5,546	(761)	4,785
Interest and other income	1,264	-	1,264	2,370	-	2,370
Other than temporary decline in value of investment	-	-	-	(44)	(414)	(458)
Income before income taxes	1,950	(772)	1,178	7,872	(1,175)	6,697
Income tax expense	147	(193)	(46)	2,216	(332)	1,884
Minority interest in income of consolidated subsidiaries	(23)	-	(23)	(68)	-	(68)
Equity in net income (loss) of unconsolidated affiliates	(71)	-	(71)	46	-	46
Net income	\$ 1,709	(579)	\$ 1,130	\$ 5,634	(843)	\$ 4,791
Basic income per share	\$ 0.07	\$ (0.03)	\$ 0.04	\$ 0.22	\$ (0.03)	\$ 0.19
Diluted income per share	\$ 0.07	\$ (0.03)	\$ 0.04	\$ 0.22	\$ (0.03)	\$ 0.19
Shares used in computing basic income per share	25,418		25,418	25,549		25,549
Shares used in computing diluted income per share	25,496		25,496	25,868		25,868

The following table presents the effect of the restatement on the consolidated statement of cash flows (in thousands):

	Six Months Ended December 27, 2008		
	(As previously Reported)	(Adjustments)	(As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 5,634	\$ (843)	\$ 4,791
Adjustments to reconcile net income to net cash			
Depreciation and amortization	3,795	-	3,795
Stock based compensation	1,699	-	1,699
Tax benefit resulting from stock option transactions	68	-	68
Excess tax benefit resulting from stock option transaction	-	-	-
Write off in process research and development	34	-	34
Other than temporary decline in the value of investment:	44	414	458
Gain on sale of investments	(495)	-	(495)
Equity in net income of unconsolidated affiliates	(55)	-	(55)
Minority interest in consolidated subsidiary's net income	68	-	68
Deferred taxes	(625)	-	(625)
Changes in assets and liabilities net of effects of entities acquired:			
Accounts receivable	751	-	751
Inventories	(2,289)	(11)	(2,300)
Prepaid expenses and other current assets	1,200	(287)	913
Other assets	(184)	-	(184)
Accounts payable	(2,622)	772	(1,850)
Accrued liabilities	(1,127)	(45)	(1,172)
Other long term liabilities	-	-	-
Net cash provided by operating activities	<u>5,896</u>	<u>-</u>	<u>5,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(8,821)	-	(8,821)
Net proceeds from sale of property and equipment	-	-	-
Net proceeds from sale of investments in privately held companies	-	-	-
Purchase of available for sale investments	(68,262)	-	(68,262)
Maturities and sales of available for sale investments	61,159	-	61,159
Cash paid for PTL minority interest acquisition	(1,285)	-	(1,285)
Cash paid for Azer acquisition, net of cash received	-	-	-
Cash used in the investment of Pericom Electronics Hong Kong	-	-	-
Change in restricted cash balance	-	-	-
Net cash used in investing activities	<u>(17,209)</u>	<u>-</u>	<u>(17,209)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from common stock issuance under stock plan:	740	-	740
Proceeds generated from sale of stock to minority interest	-	-	-
Excess tax benefit on stock based compensation	-	-	-
Mortgage financing	1,669	-	1,669
Principal payments on long-term debt and capital leases	-	-	-
Repurchase of common stock	(4,979)	-	(4,979)
Net cash provided by (used in) financing activities	<u>(2,570)</u>	<u>-</u>	<u>(2,570)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(875)</u>	<u>-</u>	<u>(875)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(14,758)</u>	<u>-</u>	<u>(14,758)</u>
CASH AND CASH EQUIVALENTS:			
Beginning of period	41,646	-	41,646
End of period	<u>\$ 26,888</u>	<u>\$ -</u>	<u>\$ 26,888</u>

3. BUSINESS COMBINATION

Acquisition of remaining minority interest in PTL

PTL was founded in May 2003. Via participation in two rounds of equity financing, Pericom became its largest shareholder. In April 2003, Pericom purchased 15 million PTL shares, and sold 1 million shares to the employees of PTL in November 2004. Subsequently, in November 2005 and April 2006, Pericom

purchased an additional 13 million shares. On August 1, 2008, Pericom's Board of Directors approved the acquisition of the remaining PTL ownership.

On October 27, 2008, Pericom owned approximately 87.9% of PTL with the remaining interest owned by PTL employees. The Company purchased the remaining 3.7 million shares held by employees for a total price of \$1.3 million, with the result that PTL is now a wholly owned subsidiary. The Company concluded that the purchase price was not compensation to the employees who owned the stock because the Company determined it had paid fair market value for the shares based on a share price analysis based on established valuation techniques that was performed prior to acquisition.

The Company has included the results of operations of PTL in the Company's consolidated financial statements from the date of acquiring a majority stake in PTL. The Company recorded the assets acquired on October 27, 2008, the date of the acquisition of the remaining minority interest, at estimated fair values as determined by management, prorated for the stake acquired. The Company based the fair values on the appropriate application of generally accepted income based approaches. The Company allocated the purchase price of PTL's minority stake as follows:

(in thousands)

Goodwill	\$	347
Core developed technology		904
In-process research and development		34
Total purchase price	<u>\$</u>	<u>1,285</u>

The in-process research and development was expensed during the quarter ended December 27, 2008. The core developed technology is included in intangible assets and will be amortized over a period of 5 years.

4. INTANGIBLE ASSETS

Pericom's intangible assets are derived from completed acquisitions and for each of the following periods are composed of:

(in thousands)	December 27, 2008			June 28, 2008		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
eCERA customer relationships	\$ 108	\$ (108)	\$ -	\$ 117	\$ (111)	\$ 6
eCERA trade name	40	(19)	21	43	(17)	26
Core developed technology	1,830	(629)	1,201	939	(566)	373
SaRonix supplier relationship	397	(110)	287	398	(78)	320
Total amortizable purchased intangible assets	2,375	(866)	1,509	1,497	(772)	725
SaRonix trade name	415	-	415	415	-	415
Total purchased intangible assets	<u>\$ 2,790</u>	<u>\$ (866)</u>	<u>\$ 1,924</u>	<u>\$ 1,912</u>	<u>\$ (772)</u>	<u>\$ 1,140</u>

In October 2008, the Company acquired the outstanding minority interest of PTL as described in Note 2 to these financial statements. This resulted in an increase of \$904,000 in intangible assets, consisting of core developed technology, which will be amortized over five years.

Amortization expense related to finite-lived purchased intangible assets was approximately \$59,000 and \$101,000 for the three and six month periods ended December 27, 2008 and \$45,000 and \$89,000 for the three and six month periods ended December 29, 2007, respectively.

The Company performs an impairment review of its intangible assets at least annually, in conformity with SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"). Based on the results of its most recent impairment review, the Company determined that no impairment of its intangible assets existed as of June 28, 2008. However, future impairment reviews could result in a charge to earnings.

The finite-lived purchased intangible assets consist of supplier relationships, trade names and core developed technology, which have remaining weighted average useful lives of approximately five years.

We expect our future amortization expense associated with the Company's intangible assets over the next five years to be:

(in thousands)	<u>Next 12</u> <u>Months</u>	<u>13-24</u> <u>Months</u>	<u>25-36</u> <u>Months</u>	<u>37-48</u> <u>Months</u>	<u>49-60</u> <u>Months</u>
Expected amortization-PTL	\$ 181	\$ 181	\$ 181	\$ 181	\$ 150
Expected amortization-SaRonix	117	117	117	117	65
Expected amortization-eCERA	28	28	28	19	-
	<u>\$ 326</u>	<u>\$ 326</u>	<u>\$ 326</u>	<u>\$ 317</u>	<u>\$ 215</u>

5. INCOME PER SHARE

Basic income per share is based upon the weighted average number of common shares outstanding. Diluted income per share reflects the additional potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Basic and diluted income per share for the three and six month periods ended December 27, 2008 and December 29, 2007 are computed as follows:

(in thousands, except per share data)	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 27,</u> <u>2008</u> <small>(As Restated)</small>	<u>December 29,</u> <u>2007</u>	<u>December 27,</u> <u>2008</u> <small>(As Restated)</small>	<u>December 29,</u> <u>2007</u>
Net income	<u>\$1,130</u>	<u>\$4,396</u>	<u>\$4,791</u>	<u>\$8,279</u>
Computation of common shares outstanding – basic earnings per share:				
Weighted average shares of common stock	<u>25,418</u>	<u>25,888</u>	<u>25,549</u>	<u>25,817</u>
Basic earnings per share	<u>\$0.04</u>	<u>\$0.17</u>	<u>\$0.19</u>	<u>\$0.32</u>
Computation of common shares outstanding – diluted earnings per share:				
Weighted average shares of common stock	25,418	25,888	25,549	25,817
Dilutive options using the treasury stock method	78	1,071	319	852
Shares used in computing diluted earnings per share	<u>25,496</u>	<u>26,959</u>	<u>25,868</u>	<u>26,669</u>
Diluted earnings per share	<u>\$0.04</u>	<u>\$0.16</u>	<u>\$0.19</u>	<u>\$0.31</u>

Options to purchase 3,851,000 and 2,840,000 shares of common stock and restricted stock units of 112,000 and 86,000 were outstanding as of December 27, 2008, for the three and six months ended respectively, but not included in the computation of diluted earnings per share because the options would be anti-dilutive under the treasury stock method. Options to purchase 1,032,000 and 1,854,000 shares of common stock were outstanding as of December 29, 2007, for the three and six months ended respectively, but not included in the computation of diluted earnings per share because the options would be anti-dilutive under the treasury stock method.

6. INVENTORIES

Inventories consist of:

(in thousands)	<u>December 27,</u> <u>2008</u> <small>(As Restated)</small>	<u>June 28,</u> <u>2008</u>
Raw materials	\$ 8,897	\$ 6,326
Work in process	4,582	4,472
Finished goods	6,223	7,123
	<u>\$ 19,702</u>	<u>\$ 17,921</u>

The Company considers raw material inventory obsolete and writes it off if the raw material has not moved in 365 days. The Company reviews its assembled devices for excess and writes them off if the quantity of assembled devices in inventory is in excess of the greater of the quantity shipped in the previous twelve months, the quantity in backlog or the quantity forecasted to be shipped in the following twelve months. In certain circumstances, management will determine, based on expected usage or other factors, that inventory considered excess by these guidelines should not be written off. The Company does occasionally determine that last twelve months' sales levels will not continue and reserves inventory in line with the quantity forecasted. As of December 27, 2008, the Company had \$4.4 million of written-off inventory as compared to \$5.0 million at June 28, 2008. The Company attributes this reduction of approximately \$0.6 million in obsolete inventory between December 27, 2008 and June 28, 2008 to sales of previously reserved inventory as well as physically scrapping a portion of the written-off inventory.

7. ACCRUED LIABILITIES

Accrued liabilities consist of:

(in thousands)	December 27, 2008	June 28, 2008
	(As Restated)	
Accrued compensation	\$4,317	\$6,089
Accrued income tax	10	434
External sales representative commissions	590	615
Other accrued expenses	889	1,641
	<u>\$5,806</u>	<u>\$8,779</u>

8. DEBT

The long term debt as reported in the consolidated balance sheet as of December 27, 2008 is as follows:

(in thousands)	Annual Interest Rate	Total due	Total Amounts Due	
			Within 12 Months	After 12 Months
Mortgage loan - PTL	2.20%	\$ 1,664	\$ -	\$ 1,664

PTL took out a 15-year mortgage on its building in December 2008 in the amount of \$1.7 million. The debt carries a variable rate of interest at the 1-year time deposit rate plus 0.64% for the first two years and plus 1.34% afterwards. The loan is denominated in New Taiwanese Dollars and only interest is required to be paid for the first 12 months.

9. INDUSTRY AND SEGMENT INFORMATION

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* established annual and interim reporting standards for an enterprise's business segments and related disclosures about its products, services, geographical areas and major customers. The Company operates and tracks its results in one reportable segment. The Company designs, develops, manufactures and markets a broad range of interface integrated circuits and frequency control products.

The following table indicates the percentage of our net revenues and accounts receivable in excess of 10 percent with any single customer:

	Net Revenues			
	Three Months Ended		Six Months Ended	
	December 27, 2008	December 29, 2007	December 27, 2008	December 29, 2007
			(As Restated)	
Customer A	18%	13%	18%	14%
Customer B	16%	*	15%	*
All others	66%	87%	67%	86%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

	Accounts Receivable	
	December 27, 2008	June 28, 2008
	Customer A	20%
Customer B	*	*
All others	80%	84%
	<u>100%</u>	<u>100%</u>

* Less than 10 percent of total net revenues and accounts receivable

For geographical reporting, we attribute net revenues to the country where customers are located (the “bill to” location). We neither conduct business in nor sell to persons in Iran, Syria, Sudan, or North Korea, countries located in the referenced regions that are identified as state sponsors of terrorism by the U.S. Department of State, and are subject to U.S. economic sanctions and export controls. The following table sets forth net revenues by country as a percentage of total net revenues for the three and six month periods ended December 27, 2008 and December 29, 2007:

	Three Months Ended		Six Months Ended	
	December 27, 2008	December 29, 2007	December 27, 2008	December 29, 2007
				(As Restated)
Taiwan	44%	30%	43%	29%
China (including Hong Kong)	30%	38%	33%	39%
United States	10%	9%	7%	9%
Singapore	3%	6%	4%	5%
Other (less than 10% each)	13%	18%	13%	17%
Total net revenues	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Long-lived assets consist of all non-monetary assets, excluding non-current deferred tax assets, goodwill and intangible assets. We attribute long-lived assets to the country where they are located. The following table sets forth the Company’s net property and equipment by country of location as a percentage of total net property and equipment as of December 27, 2008 and June 28, 2008:

	December 27, 2008	June 28, 2008
Taiwan	66%	74%
United States	20%	21%
China (including Hong Kong)	10%	1%
Other countries	4%	4%
Total	<u>100%</u>	<u>100%</u>

10. STOCK REPURCHASE PROGRAM

On April 26, 2007, the Company’s Board of Directors authorized the repurchase of 2.0 million shares of our common stock and on April 29, 2008, the Board authorized the repurchase of an additional \$30 million

worth of common stock. The Company was authorized to repurchase the shares from time to time in the open market or private transactions, at the discretion of the Company's management. Pursuant to the 2007 authority, the Company repurchased approximately 139,000 shares in the six months ended December 27, 2008 for an aggregate cost of \$1.9 million, and this completed the repurchase of 2.0 million shares at a cost of approximately \$25.2 million. Pursuant to the 2008 authority, the Company repurchased approximately 487,000 shares in the six months ended December 27, 2008 for an aggregate cost of \$3.1 million. During the same period of the prior year, the Company repurchased approximately 471,000 shares for an aggregate cost of \$5.2 million.

Current cash balances and the proceeds from stock option exercises and purchases in the stock purchase plan have funded stock repurchases in the past, and the Company expects to fund future stock repurchases from these same sources.

11. MINORITY INTEREST

The Company consolidates its subsidiary SRe, which has a minority interest. Parties other than the Company own approximately 2.71% of the outstanding shares of SRe at December 27, 2008, and as of this date the minority interest in SRe was valued at \$1.2 million.

As of September 27, 2008, Pericom owned approximately 87.9% of its subsidiary PTL with the remaining interest owned by PTL employees. During the quarter ended December 27, 2008, Company purchased the remaining 3.7 million shares held by employees for a total price of \$1.3 million, with the result that PTL is now a wholly owned subsidiary.

12. SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

PREFERRED STOCK

The Company's shareholders have authorized the Board of Directors to issue 5,000,000 shares of preferred stock from time to time in one or more series and to fix the rights, privileges and restrictions of each series. As of December 27, 2008, the Company has issued no shares of preferred stock.

STOCK OPTION PLANS

At December 27, 2008 the Company had four stock option plans and one employee stock purchase plan, consisting of the 1995 Stock Option Plan, 2001 Stock Option Plan, SaRonix Acquisition Stock Option Plan, 2004 Stock Incentive Plan and the 2000 Employee Stock Purchase Plan.

Under the four stock option plans, the Company has reserved an aggregate of 5.1 million shares of common stock as of December 27, 2008 for issuance to employees, officers, directors, independent contractors and consultants of the Company in the form of incentive or nonqualified stock options, or grants of restricted stock.

The Company may grant options at the fair value and not less than 85% of the fair value on the grant date for incentive stock options and nonqualified stock options, respectively. Options vest over periods of up to 72 months as determined by the Board of Directors. Options granted under the Plans expire 10 years from the grant date.

The Company estimates the fair value of each employee option on the date of grant using the Black-Scholes option valuation model and expenses that value as compensation using a straight-line method over the option's vesting period, which corresponds to the requisite employee service period. The Company estimates expected stock price volatility based on actual historical volatility for periods that the Company believes represent predictors of future volatility. The Company uses historical data to estimate option exercises, expected option holding periods and option forfeitures. The Company bases the risk-free interest rate for periods within the contractual life of the option on the U.S. Treasury yield corresponding to the expected life of the underlying option.

The value of the Company's stock options granted under its stock option plans during the three months ended December 27, 2008 and December 29, 2007 was estimated at the date of grant using the following weighted average assumptions:

	Three Months Ended	
	December 27, 2008	December 29, 2007
Expected Life	5.22 years	5.0 years
Risk-free interest rate	2.62%	3.91%
Volatility	48%	44%
Dividend Yield	0%	0%

The weighted average fair value of options granted during the three months ended December 27, 2008 and December 29, 2007 were \$2.86 and \$6.97, respectively.

The following table summarizes the Company's stock option activity for the six months ended December 27, 2008:

	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Options outstanding at June 28, 2008	3,874	\$ 13.42	5.20	\$ 16.7
Granted (weighted average grant date fair value of \$6.37)	295	14.48		
Exercised	(34)	5.00		
Cancelled or expired	(72)	12.93		
Options outstanding at December 27, 2008	<u>4,063</u>	<u>\$ 13.57</u>	<u>4.96</u>	<u>\$ 16.5</u>
Options vested and expected to vest at December 27, 2008	<u>3,791</u>	<u>\$ 13.69</u>	<u>4.72</u>	<u>\$ 15.4</u>
Options exercisable at December 27, 2008	<u>3,040</u>	<u>\$ 14.02</u>	<u>3.75</u>	<u>\$ 12.7</u>

At December 27, 2008, 874,000 shares were available for future issuance under the option plans. The aggregate intrinsic value of options exercised during the six months ended December 27, 2008 was \$300,000, with no exercises occurring in the second quarter.

At December 27, 2008, expected future compensation expense relating to options and restricted stock units outstanding at that date is \$5.9 million, which will be amortized to expense over a weighted average period of 2.6 years for the options and 3.6 years for the restricted stock units.

Additional information regarding options outstanding and exercisable as of December 27, 2008 is as follows:

Range of Exercise Prices	Options Outstanding			Exercisable Options	
	Number Outstanding as of December 27, 2008	Weighted Average Remaining Contractual Term, years	Weighted Average Exercise Price	Number Exercisable as of December 27, 2008	Weighted Average Exercise Price
\$ 3.59 \$ 8.40	919,000	5.03	\$ 7.36	730,000	\$ 7.22
\$ 8.41 \$ 10.77	898,000	6.86	\$ 9.85	569,000	\$ 9.61
\$ 10.85 \$ 14.20	881,000	3.64	\$ 12.77	807,000	\$ 12.82
\$ 14.23 \$ 18.19	828,000	6.48	\$ 16.11	399,000	\$ 16.54
\$ 18.28 \$ 37.22	<u>537,000</u>	1.53	\$ 27.86	<u>535,000</u>	\$ 27.89
\$ 3.59 \$ 37.22	4,063,000	4.96	\$ 13.57	3,040,000	\$ 14.02

Restricted Stock Units

Restricted stock units (“RSUs”) are converted into shares of the Company’s common stock upon vesting on a one-for-one basis. Typically, vesting of RSUs is subject to the employee’s continuing service to the Company. RSUs generally vest over a period of 4 years and are expensed ratably on a straight-line basis over their respective vesting period net of estimated forfeitures. The fair value of RSUs granted pursuant to the Company’s 2004 Stock Incentive Plan is the product of the number of shares granted and the grant date fair value of our common stock as calculated under the Black-Scholes methodology. A summary of activity of RSUs as of December 27, 2008 is presented below:

	<u>Shares</u> (in thousands)	<u>Weighted Average Award Date Fair Value</u>	<u>Weighted Average Remaining Contractual Term</u> (years)	<u>Aggregate Intrinsic Value</u> (in millions)
RSUs outstanding at June 28, 2008	-			
Awarded	118	15.06		
Released	-			
Forfeited	(11)	15.06		
RSUs outstanding at December 27, 2008	<u>107</u>	<u>\$ 15.06</u>	<u>2.12</u>	<u>\$ 1.7</u>
RSUs vested and expected to vest after December 27, 2008	<u>81</u>	<u>\$ 15.06</u>	<u>1.97</u>	<u>\$ 1.3</u>
RSUs exercisable at December 27, 2008	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

2000 EMPLOYEE STOCK PURCHASE PLAN

The Company’s 2000 Employee Stock Purchase Plan (the “Stock Purchase Plan”) allows eligible employees of the Company to purchase shares of Common Stock through payroll deductions. The Company reserved 2.1 million shares of the Company’s Common Stock for issuance under this Plan, of which 468,000 remain available at December 27, 2008 and which may be released at the Board of Directors’ discretion. The Stock Purchase Plan permits eligible employees to purchase Common Stock at a discount through payroll deductions during 24-month purchase periods. The Company divides each purchase period into eight consecutive three-month accrual periods. Participants in the Stock Purchase Plan may purchase stock at 85% of the lower of the stock’s fair market value on the first day of the purchase period or the last day of the accrual period. The maximum number of shares of Common Stock that any employee may purchase under the Stock Purchase Plan during any three-month accrual period is 1,000 shares. During the first six months of fiscal years 2009 and 2008, the Company issued 74,834 and 73,216 shares of common stock under the Stock Purchase Plan at weighted average prices of \$7.64 and \$6.96, respectively. The weighted average fair value of the first half fiscal 2009 and 2008 awards were \$2.73 and \$4.94 per share, respectively.

The Company estimates the fair value of stock purchase rights granted under the Company’s Stock Purchase Plan on the date of grant using the Black-Scholes option valuation model. The Company bases volatility on the expected volatility of the Company’s stock during the accrual period. The Company uses historical data to estimate the expected holding period and expected forfeitures and the U.S. Treasury yield for the risk-free interest rate for the contractual period.

The following table lists the values of the assumptions the Company used to calculate stock compensation in the Stock Purchase Plan:

	<u>Three Months Ended</u>	
	<u>December 27, 2008</u>	<u>December 29, 2007</u>
Expected Life	13.5 months	13.5 months
Risk-free interest rate	1.21%	4.29%
Volatility	67%	47%
Dividend Yield	0%	0%

The following table summarizes activity in the Company's employee stock purchase plan during the six months ended December 27, 2008:

	<u>Shares</u>	<u>Weighted Average Purchase Price</u>
Beginning Available	543,313	
Purchases	<u>(74,834)</u>	\$7.64
Ending Available	<u><u>468,479</u></u>	

At December 27, 2008, the Company had \$645,000 in unamortized stock-based compensation related to its employee stock purchase plan. The Company estimates this expense will be amortized and recognized in the consolidated statement of operations over the next 1.2 years.

SHARE-BASED COMPENSATION

The following table shows total share-based compensation expense classified by Consolidated Statements of Operations reporting caption for the three and six months ended December 27, 2008 and December 29, 2007 generated from the plans mentioned above:

(In Thousands)	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 27, 2008</u>	<u>December 29, 2007</u>	<u>December 27, 2008</u>	<u>December 29, 2007</u>
Cost of goods sold	\$ 63	\$ 44	\$ 114	\$ 73
Research and development	352	201	659	351
Selling, general and administrative	489	405	926	734
Pre-tax share-based compensation expense	<u>904</u>	<u>650</u>	<u>1,699</u>	<u>1,158</u>
Income tax impact	264	196	496	351
Net share-based compensation expense	<u><u>\$ 640</u></u>	<u><u>\$ 454</u></u>	<u><u>\$ 1,203</u></u>	<u><u>\$ 807</u></u>

Share-based compensation by type of award is as follows:

(In Thousands)	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 27, 2008</u>	<u>December 29, 2007</u>	<u>December 27, 2008</u>	<u>December 29, 2007</u>
Stock options	\$ 607	\$ 580	\$ 1,180	\$ 1,047
Restricted stock units	99	-	150	-
Stock purchase plan	198	70	369	111
Total share-based compensation expense	<u><u>\$ 904</u></u>	<u><u>\$ 650</u></u>	<u><u>\$ 1,699</u></u>	<u><u>\$ 1,158</u></u>

The amount of share-based compensation expense in inventory at December 27, 2008 and June 28, 2008 is immaterial.

13. INCOME TAXES

Accounting for Uncertainty in Income Taxes

Effective July 1, 2007, the Company adopted Financial Accounting Standards Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (“FIN No. 48”). FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a company’s income tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 utilizes a two-step approach for evaluating uncertain tax positions accounted for in accordance with SFAS No. 109, *Accounting for Income Taxes* (“SFAS No. 109”). Step one, Recognition, requires a company to determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit, including resolution of related appeals or litigation processes, if any. Step two, Measurement, is based on the largest amount of benefit which is more likely than not to be realized on ultimate settlement. The cumulative effect of adopting FIN No. 48 on July 1, 2007 is recognized as a change in accounting principle, recorded as an adjustment to the opening balance of retained earnings on the adoption date.

As a result of the implementation of FIN No. 48, the Company recognized no change in the liability for unrecognized tax benefits related to tax positions taken in prior periods. All positions taken in its US and foreign returns with respect to any book-tax adjustments were highly certain, and accordingly the Company did not record any valuation adjustments against those positions. Upon adoption of FIN No. 48, the Company’s policy to include interest and penalties related to unrecognized tax benefits within the Company’s provision for income taxes did not change. As of December 27, 2008, the Company had accrued \$120,000 for any interest and penalties related to unrecognized tax benefits. The Company’s total amount of unrecognized tax benefits as of December 27, 2008 was \$898,000. All of this amount would affect the corporation’s tax rate if recognized. The tax years 2003 to 2007 remain open in the United States.

Income Tax Expense

Income tax expense for the six months ended December 27, 2008 and December 29, 2007 was \$1.9 million and \$4.0 million, respectively, and was comprised of domestic federal and state income tax and foreign income and withholding tax.

14. INVESTMENT IN AFFILIATES

Our investment in unconsolidated affiliates is comprised of the following:

(in thousands)	December 27, 2008	June 28, 2008
Pericom Technology, Inc.	\$ 8,504	\$ 8,505
Jiyuan Crystal Photoelectric Frequency Technology Ltd.	1,963	1,887
Total	<u>\$ 10,467</u>	<u>\$ 10,392</u>

The Company has an approximate 44.1% ownership interest in Pericom Technology, Inc. (“PTI”). Pericom accounts for its investment in PTI using the equity method due to the Company’s significant influence over its operations. In addition, certain of the directors of the Company are directors of PTI, and certain shareholders of the Company are shareholders of PTI. PTI was incorporated in 1994 and in 1995 established a design center and sales office to pursue opportunities and participate in joint ventures in the People’s Republic of China. For the first six months of fiscal 2009 and 2008, the Company’s allocated portion of PTI’s results was a loss of \$1,000 and income of \$178,000, respectively. Condensed operating results of PTI were as follows:

(in thousands)	Three Months Ended		Six Months Ended	
	December 27, 2008	December 29, 2007	December 27, 2008	December 29, 2007
Revenue	\$ 2,910	\$ 3,502	\$ 6,460	\$ 6,322
Gross profit	1,382	1,737	3,138	3,088
Operating income	195	428	655	567
Net income	(246)	494	(4)	711

SRe has a 49% equity interest in Jiyuan Crystal Photoelectric Frequency Technology Ltd. (“JCP”), an FCP manufacturing company located in Science Park of Jiyuan City, Henan Province, China. JCP is a key manufacturing partner of SRe. For the first six months of fiscal 2009 and 2008, the Company’s allocated portion of JCP’s results was income of \$47,000 and \$140,000, respectively.

15. COMPREHENSIVE INCOME

Comprehensive income consists of net income, net unrealized gains (losses) on available-for-sale securities and translation gains (losses) generated by the Company’s consolidated subsidiaries. The components of comprehensive income net of related tax effects are as follows:

(In Thousands)	Three Months Ended		Six Months Ended	
	December 27, 2008	December 29, 2007	December 27, 2008	December 29, 2007
	(As Restated)		(As Restated)	
Net income	\$ 1,130	\$ 4,396	\$ 4,791	\$ 8,279
Unrealized gain (loss) on securities available for sale, net	523	459	(414)	1,114
Translation gain (loss), net	(1,133)	165	(3,050)	367
Comprehensive income	<u>\$ 520</u>	<u>\$ 5,020</u>	<u>\$ 1,327</u>	<u>\$ 9,760</u>

16. FAIR VALUE MEASUREMENTS

Effective June 29, 2008, we adopted SFAS No. 157, *Fair Value Measurements* (“SFAS 157”). In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually (fair value of reporting units for goodwill impairment tests, non-financial assets and liabilities acquired in a business combination). Therefore we adopted the provisions of SFAS 157 with respect to our financial assets and liabilities only. SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last is considered unobservable:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The adoption of this statement with respect to our financial assets and liabilities did not impact our consolidated results of operations and financial condition, but requires additional disclosure for assets and liabilities measured at fair value. In accordance with SFAS 157, the following table represents our fair value hierarchy for financial assets (cash equivalents and investments) measured at fair value on a recurring basis. Level 1 available-for-sale investments are primarily comprised of investments in U.S. Treasury securities, valued using market prices in active markets. Level 2 investment valuations are obtained from readily-available pricing sources for comparable instruments. A majority of our investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, as these vendors either provide a quoted market price in an active market or use observable inputs.

Assets measured at fair value as of December 27, 2008 are summarized as follows:

(in thousands)	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash equivalents (1)			
Money market funds	\$ 10,641	\$ -	\$ 10,641
Treasury bills	1,000	-	1,000
Corporate bonds and notes	-	799	799
	<u>11,641</u>	<u>799</u>	<u>12,440</u>
Investments (2)			
Treasury bills	6,315	-	6,315
Corporate bonds and notes	-	26,652	26,652
Government securities	-	39,830	39,830
Asset/mortgage backed securities	-	16,252	16,252
Total	<u>6,315</u>	<u>82,822</u>	<u>89,049</u>
	<u>\$ 17,956</u>	<u>\$ 83,621</u>	<u>\$ 101,627</u>

(1) Included in Cash and cash equivalents on our condensed consolidated balance sheet

(2) Included in Short-term and Long-term investments in marketable securities on our condensed consolidated balance sheet

Effective June 29, 2008, we adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for specified financial assets and liabilities on a contract-by-contract basis. We did not adopt the fair value option under SFAS 159.

The Company's investment in debt securities includes government securities, commercial paper, corporate debt securities and mortgage-backed and asset-backed securities. Government securities include federal agencies and municipal bonds. Many of the municipal bonds are insured; those that are not are nearly all AAA/Aaa rated. The corporate debt securities are all investment grade and nearly all are single A-rated or better. The asset-backed securities are AAA/Aaa rated and are backed by auto loans. Most of our mortgage-backed securities are collateralized by prime residential mortgages issued by government agencies including FNMA, FHLMC and FHLB. Those issued by banks are AAA-rated. At December 27, 2008, unrealized losses on marketable securities were \$504,000. When assessing marketable securities for other-than-temporary declines in value, we consider a number of factors. Our analyses of the severity and duration of price declines, portfolio manager reports, economic forecasts and the specific circumstances of issuers indicate that it is reasonable to expect marketable securities with unrealized losses at December 27, 2008 to recover in fair value up to our cost bases within a reasonable period of time. We have the ability and intent to hold these investments until maturity, when the obligors are required to redeem them at full face value or par, and we believe the obligors have the financial resources to redeem the debt securities. Accordingly, we do not consider our investments to be other-than-temporarily impaired at December 27, 2008.

16. RESTRUCTURING CHARGE

During the quarter ended December 27, 2008, the Company instituted a restructuring plan to align its costs with prevailing market conditions. As part of the restructuring plan, the Company reduced its workforce by 41 employees during the quarter. Of the employees terminated, 24 were in operations, 6 in research and development, 5 in sales and marketing, and 6 in general and administration. The Company incurred \$217,000 of restructuring charges during the quarter, as compared with none in the same period of the prior year. At December 27, 2008, \$209,000 of the \$217,000 had been paid with the balance expected to be paid during the quarter ended March 28, 2009.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Pericom Semiconductor Corporation

The discussion below reflects the impact of our restatement as described in Note 17 of the Notes to the unaudited financial statements.

The following information should be read in conjunction with the unaudited financial statements and notes thereto included in Part 1 - Item 1 of this Quarterly Report and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report on Form 10-K for the year ended June 28, 2008 (the "Form 10-K").

Factors That May Affect Operating Results

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including any statements regarding the Company's expected third quarter revenues, the Company's total investment in the Jinan Hi-Tech Industries Development Zone, the continuation of a high level of turns orders, higher levels of inventory, future gross profit and gross margin; the plans and objectives of management for future operations; the Company's tax rate; the adequacy of allowances for returns, price protection and other concessions; the sufficiency of cash generated from operations and cash balances; the Company's exposure to interest rate risk; expectations regarding our R&D and SG&A expenses; and our possible future acquisitions and assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although the Company believes that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct, and actual results could differ materially from those projected or assumed in the forward-looking statements. The Company's future financial condition and results of operations, as well as any forward-looking statements, are subject to risks and uncertainties, including but not limited to the factors set forth (i) in Item 1A, Risk Factors, of Part II of this Form 10-Q, and (ii) in Note 1 to the Notes to Condensed Consolidated Financial Statements. All forward-looking statements and reasons why results may differ included in this Quarterly Report are made as of the date hereof, and the Company assumes no obligation to update any such forward-looking statement or reason why actual results may differ.

Results of Operations

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

	Three Months Ended		Six Months Ended	
	December 27, 2008 (As Restated)	December 29, 2007	December 27, 2008 (As Restated)	December 29, 2007
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	67.6 %	63.1 %	65.2 %	63.3 %
Gross profit	32.4 %	36.9 %	34.8 %	36.7 %
Operating expenses:				
Research and development	14.2 %	10.5 %	11.5 %	10.6 %
Selling, general and administrative	17.7 %	14.2 %	16.6 %	14.7 %
Restructuring charge	0.7 %	0.0 %	0.3 %	0.0 %
Total	32.6 %	24.7 %	28.4 %	25.3 %
Income from operations	(0.2)%	12.2 %	6.4 %	11.4 %
Interest and other income	4.1 %	4.0 %	3.2 %	3.8 %
Other than temporary decline in value of investment	0.0 %	0.0 %	(0.6)%	0.0 %
Income before income taxes	3.9 %	16.2 %	9.0 %	15.2 %
Income taxes	(0.1)%	5.8 %	2.5 %	5.1 %
Minority interest in (income) loss of consolidated subsidiaries	(0.1)%	0.0 %	(0.1)%	0.0 %
Equity in net income (loss) of unconsolidated affiliates	(0.2)%	0.4 %	0.0 %	0.4 %
Net income	3.7 %	10.8 %	6.4 %	10.5 %

Net Revenues

The following table sets forth our revenues and the customer concentrations with respect to such revenues for the periods indicated.

(In thousands)	Three Months Ended			Six Months Ended		
	December 27, 2008	December 29, 2007	% Change	December 27, 2008 (As Restated)	December 29, 2007	% Change
Net revenues	\$ 30,732	\$ 40,726	-24.5%	\$ 74,530	\$ 79,194	-5.9%
% of net sales accounted for by top 5 direct customers (1)	50.6%	36.6%		49.3%	36.4%	
Number of direct customers that each account for more than 10% of net sales	2	1		2	1	
% of net sales accounted for by top 5 end customers (2)	27.6%	21.8%		27.7%	21.9%	
Number of end customers that each account for more than 10% of net sales	0	0		0	0	

- (1) Direct customers purchase products directly from the Company. These include distributors and contract manufacturers that in turn sell to many end customers as well as OEMs that also purchase directly from the Company.
- (2) End customers are OEMs whose products include the Company's products. End customers may purchase directly from the Company or from distributors or contract manufacturers. We rely on the end customer data provided by our direct distribution and contract manufacturing customers to provide this information.

The Company designs, develops and markets high-performance integrated circuits ("ICs" or IC products) and frequency control products ("FCPs" or FCP products) used in many of today's advanced electronic systems. Our IC products include functions that support the connectivity, timing and signal conditioning of high-speed parallel and serial protocols that transfer data among a system's microprocessor, memory and various peripherals, such as displays and monitors, and between interconnected systems. Our FCPs are electronic components that provide frequency references such as crystals, oscillators, and hybrid timing generation products for computer, communication and consumer electronic products. Our analog, digital and mixed-signal ICs, together with our FCP products enable higher system bandwidth and signal quality, resulting in better operating reliability, signal integrity, and lower overall system cost in applications such

as notebook computers, servers, network switches and routers, storage area networks, digital TVs, cell phones, GPS and digital media players.

Net revenues consist of product sales, which are recognized upon shipment, less an estimate for returns and allowances. Net revenue decreased \$10.0 million or 24.5% in the second quarter of fiscal 2009 versus the second quarter of fiscal 2008 primarily as the result of:

- a decrease of \$4.3 million or 25.6% in sales of our FCP products to \$12.4 million and
- a decline of sales in analog, digital switch, clock, and interface IC products to \$13.2 million, for a 38.6% sales decrease; partially offset by
- a 98% increase in the sales of connect IC products to \$5.2 million, reflecting an increase of \$2.6 million.

Net revenue declined \$4.7 million or 5.9% in the first half of fiscal 2009 versus the first half of fiscal 2008 primarily as the result of:

- A decrease of \$1.4 million or 4.4% in sales of our FCP products to \$30.6 million and
- a decline of sales in analog, digital switch, clock, and interface IC products to \$32.5 million, for a \$9.6 million sales decrease; partially offset by
- a 126.5% increase in the sales of connect IC products to \$11.4 million, reflecting an increase of \$6.3 million.

The following table sets forth net revenues by country as a percentage of total net revenues for the three and six month periods ended December 27, 2008 and December 29, 2007:

	Three Months Ended		Six Months Ended	
	December 27,	December 29,	December 27,	December 29,
	2008	2007	2008	2007
			(As Restated)	
China (including Hong Kong)	30%	38%	33%	39%
Taiwan	44%	30%	43%	29%
United States	10%	9%	7%	9%
Singapore	3%	6%	4%	5%
Other (less than 10% each)	13%	18%	13%	17%
Total	100%	100%	100%	100%

For the three and six months ended December 27, 2008, as compared with the same periods of the prior year, the percentage of our net revenues derived from sales to Asian countries increased as a result of continued demand for technological devices and an increasing concentration of contract manufacturing in those regions. We expect our future sales to continue to grow, as a percentage of net revenues, in Asian countries.

We currently have a cautious outlook on our fiscal third quarter ending March 28, 2009 due to the challenging business environment and limited visibility on end-market demands. We have also announced our expectation that fiscal third quarter revenues will decline from the amount reported for the fiscal second quarter. Our net revenue levels have been highly dependent on the number of new orders that are received for products to be delivered to the customer within the same quarter, also called “turns” orders. Because of our lack of visibility into demand when turns orders are high, it is difficult to predict which products to build to match future demand. We believe the current high level of turns orders will continue indefinitely. The sustainability of customer demand is uncertain and our markets are highly dependent on worldwide economic conditions. The high level of turns orders together with the uncertainty of product mix and pricing makes it difficult to predict future levels of sales and may require us to carry higher levels of inventory.

Gross Profit

The following table sets forth our gross profit for the periods indicated.

(In thousands)	Three Months Ended			Six Months Ended		
	December 27, 2008	December 29, 2007	% Change	December 27, 2008	December 29, 2007	% Change
	(As Restated)			(As Restated)		
Net revenues	\$ 30,732	\$ 40,726	-24.5%	\$ 74,530	\$ 79,194	-5.9%
Gross profit	9,947	15,032	-33.8%	25,940	29,033	-10.7%
Gross profit as a percentage of net revenues (gross margin)	32.4%	36.9%		34.8%	36.7%	

The decrease in gross profit for the three and six month periods ended December 27, 2008 as compared with the same periods of the prior year was primarily due to significant sales declines in the second quarter in all lines except connect IC products.

Specifically, the decrease in gross profit in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008 of \$5.1 million is the result of:

- decreased sales of the FCP product family, which led to \$1.0 million of decreased gross profit,
- decreased sales of analog and digital switch, clock and silicon interface products, which led to \$3.6 million of decreased gross profit,
- margin declines which led to \$1.9 million of decreased gross profit; partially offset by
- sales growth in silicon connect IC products, which generated \$1.4 million of increased gross profit.

With respect to the decrease in gross profit in the first half of fiscal 2009 as compared to the first half of fiscal 2008 of \$3.1 million, the decrease is the result of:

- decreased sales of the FCP product family, which led to \$0.3 million of decreased gross profit,
- decreased sales of analog and digital switch, clock and silicon interface products, which led to \$4.1 of decreased gross profit,
- margin declines which led to \$2.0 million of decreased gross profit; partially offset by
- sales growth in silicon connect IC products, which generated \$3.3 million of increased gross profit;

Future gross profit and gross margin are highly dependent on the level and product mix of net revenues. This includes the mix of sales between lower margin FCP products and our higher margin integrated circuit products. Although we have been successful at favorably improving our integrated circuit product mix and penetrating new end markets, there can be no assurance that this will continue. Accordingly, we are not able to predict future gross profit levels or gross margins with certainty.

During the three and six months ended December 27, 2008, gross profit and gross margin benefited as a result of the sale of inventory of \$14,000 and \$77,000, respectively, that we had previously identified as excess and written down to zero value, as compared with \$328,000 and \$590,000, respectively, for the same periods of the prior year.

Research and Development

(In thousands)	Three Months Ended			Six Months Ended		
	December 27, 2008	December 29, 2007	% Change	December 27, 2008	December 29, 2007	% Change
				(As Restated)		
Net revenues	\$30,732	\$40,726	-24.5%	\$74,530	\$79,194	-5.9%
Research and development	4,363	4,278	2.0%	8,584	8,360	2.7%
R&D as a percentage of net revenues	14.2%	10.5%		11.5%	10.6%	

Research and development expenses consist primarily of costs related to personnel and overhead, non-recurring engineering charges, and other costs associated with the design, prototyping, testing, manufacturing process design support, and technical customer applications support of our products. The \$85,000 expense increase for the three month period ended December 27, 2008 as compared to the same period of the prior year is primarily attributable to increased mask costs of \$100,000. The \$224,000 expense increase for the six month period ended December 27, 2008 as compared to the same period of the

prior year is attributable to increased share-based compensation expense of \$308,000 partially offset by reduced salary and benefits expense which decreased by \$134,000.

The Company believes that continued spending on research and development to develop new products and improve manufacturing processes is critical to the Company's success, and as a result expects to increase research and development expenses in future periods over the long term. In the short term, the Company intends to continue to focus on cost control until business conditions improve. If business conditions deteriorate or the rate of improvement does not meet our expectations, the Company may implement further cost-cutting actions.

Selling, General and Administrative ("SG&A")

(In thousands)	Three Months Ended			Six Months Ended		
	December 27, 2008	December 29, 2007	% Change	December 27, 2008	December 29, 2007	% Change
	(As Restated)					
Net revenues	\$ 30,732	\$ 40,726	-24.5%	\$ 74,530	\$ 79,194	-5.9%
Selling, general and administration	5,453	5,786	-5.8%	12,354	11,625	6.3%
SG&A as a percentage of net revenues	17.7%	14.2%		16.6%	14.7%	

Selling, general and administrative expenses consist primarily of personnel and related overhead costs for sales, marketing, finance, administration, human resources and general management. The expense decrease of \$333,000 for the three month period ended December 27, 2008 as compared to the same period of the prior year is attributable to reduced salary and bonus costs of \$87,000, reduced sales representative commissions of \$58,000, reduced samples and freight of \$112,000, and reduced accounting and legal fees of \$67,000. The expense increase of \$729,000 for the six month period ended December 27, 2008 as compared to the same period of the prior year is attributable to increased salary and benefits costs of \$252,000, increased share-based compensation expense of \$192,000, increased sales representative commissions of \$114,000, and increased legal and accounting expenses of \$115,000.

The Company anticipates that selling, general and administrative expenses will increase in future periods over the long term due to increased staffing levels, particularly in sales and marketing, as well as increased commission expense to the extent the Company achieves higher sales levels. The Company intends to continue its focus on controlling costs. If business conditions deteriorate or the rate of improvement does not meet our expectations, the Company may implement further cost-cutting actions.

Interest and Other Income, Net

(In thousands)	Three Months Ended			Six Months Ended		
	December 27, 2008	December 29, 2007	% Change	December 27, 2008	December 29, 2007	% Change
Interest and other income, net	\$ 1,264	\$ 1,622	-22.1%	\$ 2,370	\$ 2,992	-20.8%

The decrease in interest and other income for the three and six month periods ended December 27, 2008 as compared with the same periods of the prior year was a combination of lower invested balances and reduced rates of interest available for cash and investments in financial assets in fiscal 2009. The Company was able to generate approximately \$1.3 and \$2.4 million of net interest income for the three and six month periods ended December 27, 2008 as compared with \$1.6 and \$3.0 million for the same periods of the prior year.

Income Tax Expense

(In thousands)	Three Months Ended			Six Months Ended		
	December 27, 2008	December 29, 2007	% Change	December 27, 2008	December 29, 2007	% Change
	(As Restated)					
Pre-tax income	\$1,178	\$6,590	-82.1%	\$6,697	\$12,040	-44.4%
Income tax	(46)	2,344	-102.0%	1,884	4,035	-53.3%
Effective tax rate	(3.9)%	35.6%		28.1%	33.5%	

The decrease in income tax expense for the three and six months ended December 27, 2008 over the same periods of the prior year is primarily due to the significant decreases in income before income taxes in the second quarter as well as the reinstatement of the research and development tax credit. The decreased effective tax rate of 28.1% is due primarily to the reduced level of pretax income as well as the mix of earnings between tax jurisdictions.

Our effective tax rate differs from the federal statutory rate primarily due to state income taxes, the utilization of research and development tax credits, stock-based compensation from incentive stock options, and differing tax rates in income-earning jurisdictions.

Equity in Net Income of Unconsolidated Affiliates

(In thousands)	Three Months Ended			Six Months Ended		
	December 27, 2008	December 29, 2007	Change	December 27, 2008	December 29, 2007	Change
Equity in net income of PTI	\$ (61)	\$ 124	\$ (185)	\$ (1)	\$ 177	\$ (178)
Equity in net income of JCP	(10)	68	(78)	47	139	(92)
Equity in net lossess of other investees	-	(23)	23	-	(26)	26
Total	\$ (71)	\$ 169	\$ (240)	\$ 46	\$ 290	\$ (244)

Equity in net income of unconsolidated affiliates includes our allocated portion of the net income of Pericom Technology, Inc. (“PTI”), a British Virgin Islands corporation based in Shanghai, People’s Republic of China and Hong Kong. Our allocated portion of PTI’s results was a loss of \$61,000 and \$1,000 for the three and six months ended December 27, 2008, respectively, as compared with income of \$124,000 and \$177,000 for the same periods of the prior year.

Equity in net income of unconsolidated affiliates also includes the Company’s allocated portion of the net income of Jiyuan Crystal Photoelectric Frequency Technology Ltd. (“JCP”), an FCP manufacturing company located in Science Park of Jiyuan City, Henan Province, China. JCP is a key manufacturing partner of SRe, and SRe has acquired a 49% equity interest in JCP. For the three and six month periods ended December 27, 2008, the Company’s allocated portion of JCP’s results were a loss of \$10,000 and income of \$47,000, respectively, as compared with income of \$68,000 and \$139,000 for the same periods of the prior year.

Liquidity and Capital Resources

As of December 27, 2008, the Company’s principal sources of liquidity included cash, cash equivalents and short-term and long-term investments of approximately \$115.9 million as compared with \$123.9 million on June 28, 2008.

The Company’s investment in debt securities includes government securities, commercial paper, corporate debt securities and mortgage-backed and asset-backed securities. Government securities include federal agencies and municipal bonds. Many of the municipal bonds are insured; those that are not are nearly all AAA/Aaa rated. The corporate debt securities are all investment grade and nearly all are single A-rated or better. The asset-backed securities are AAA/Aaa rated and are backed by auto loans. Most of our mortgage-backed securities are collateralized by prime residential mortgages issued by government agencies including FNMA, FHLMC and FHLB. Those issued by banks are AAA-rated. At December 27, 2008, unrealized losses on marketable securities were \$90,000. When assessing marketable securities for other-than-temporary declines in value, we consider a number of factors. Our analyses of the severity and duration of price declines, portfolio manager reports, economic forecasts and the specific circumstances of issuers indicate that it is reasonable to expect marketable securities with unrealized losses at December 27, 2008 to recover in fair value up to our cost bases within a reasonable period of time. We have the ability and intent to hold these investments until maturity, when the obligors are required to redeem them at full face value or par, and we believe the obligors have the financial resources to redeem the debt securities. Accordingly, we do not consider our investments to be other-than-temporarily impaired at December 27, 2008.

As of December 27, 2008, \$26.9 million was classified as cash and cash equivalents compared with \$41.6 million as of June 28, 2008. The maturities of the Company’s short term investments are staggered

throughout the year so that cash requirements are met. Because the Company is a fabless semiconductor manufacturer, it has lower capital equipment requirements than other semiconductor manufacturers that own wafer fabrication facilities. For the six month period ended December 27, 2008, the Company spent approximately \$8.8 million on property and equipment compared to \$5.4 million for the six month period ended December 29, 2007. The Company generated approximately \$2.4 million of interest and other income, net for the six month period ended December 27, 2008, an approximate \$600,000 decrease from the \$3.0 million of interest and other income, net for the six month period ended December 29, 2007. The decrease in interest and other income, net was due to a combination of lower invested balances and reduced rates of interest available for cash and investments in financial assets in fiscal 2009. In the longer term the Company may generate less interest income if its total invested balance decreases and these decreases are not offset by rising interest rates or increased cash generated from operations or other sources.

The Company's net cash provided by operating activities of \$5.9 million for the six months ended December 27, 2008 was primarily the result of net income of \$4.8 million, non-cash expenses of \$3.8 million in depreciation and amortization and \$1.7 million of share-based compensation expense, partially offset by a \$625,000 increase in net deferred taxes and a \$495,000 gain on sale of investments in marketable securities. Additional contributions to cash included a \$751,000 decrease in accounts receivable and a \$914,000 decrease in prepaid and other current assets. Partially offsetting these were a \$1.9 million decrease in accounts payable, a \$2.3 million increase in inventory and a \$1.2 million decrease in other current liabilities. The Company's net cash provided by operating activities was \$ 3.7 million in the six months ended December 29, 2007.

Generally, as sales levels fall, the Company expects inventories, accounts receivable and accounts payable to decrease. However, there will be routine fluctuations in these accounts from period to period that may be significant in amount.

The Company's cash used in investing activities of \$17.2 million for the six months ended December 27, 2008 was primarily due to the Company's additions to property and equipment of approximately \$8.8 million as well as purchases of short term investments exceeding sales and maturities of short-term investments by approximately \$6.9 million and \$1.3 million paid for the acquisition of PTL's minority interest. The Company's cash used in investing activities was \$26.1 million for the six months ended December 29, 2007.

The Company's cash used in financing activities for the six months ended December 27, 2008 of \$2.6 million was the result of repurchases of the Company's common stock at a cost of \$5.0 million, partially offset by \$1.7 million of mortgage financing by a wholly-owned subsidiary and \$740,000 in proceeds generated from the issuance of common stock in the Company's employee stock plans. The Company generated \$1.8 million in cash from financing activities for the six months ended December 29, 2007.

A portion of our cash may be used to acquire or invest in complementary businesses or products or to obtain the right to use complementary technologies. From time to time, in the ordinary course of business, we may evaluate potential acquisitions of such businesses, products or technologies.

Our long-term future capital requirements will depend on many factors, including our level of revenues, the timing and extent of spending to support our product development efforts, the expansion of sales and marketing efforts, the timing of our introductions of new products, the costs to ensure access to adequate manufacturing capacity, and the continuing market acceptance of our products. We could be required, or could elect, to seek additional funding through public or private equity or debt financing and additional funds may not be available on terms acceptable to us or at all. We believe our current cash balances and cash flows generated by operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures.

Contractual Obligations and Commitments

The Company leases certain facilities under operating leases with termination dates on or before December 2013. Generally, these leases have multiple options to extend for a period of years upon termination of the original lease term or previously exercised option to extend.

PTL took out a 15-year mortgage on its building in December 2008 in the amount of \$1.7 million. The debt carries a variable rate of interest at the 1-year time deposit rate plus 0.64% for the first two years and plus 1.34% afterwards. The loan is denominated in New Taiwanese Dollars and only interest is required to be paid for the first 12 months.

The Company's contractual obligations and commitments at December 27, 2008 are as follows:

(in thousands)	Payments Due by Period				
	Total	1 Year or Less	2 – 3 Years	4 – 5 Years	Thereafter
Operating leases and operating expense	\$ 5,563	\$ 1,188	\$ 2,143	\$ 2,232	\$ -
PTL debt	1,664	-	119	119	1,426
Capital equipment purchase commitments	18,267	16,300	1,966	-	-
Total	\$ 25,494	\$ 17,488	\$ 4,228	\$ 2,351	\$ 1,426

Jinan Cooperation Agreement

On January 26, 2008, the Company entered into a Cooperation Agreement with the Jinan Hi-Tech Industries Development Zone Commission (the "Commission") in the People's Republic of China (the "PRC") for the Company's investment in the Jinan Hi-Tech Industries Development Zone (the "Zone") that is located in Shandong Province, PRC. Under the Cooperation Agreement, the Company will, through a wholly-owned Hong Kong subsidiary, Pericom Asia Ltd., build a factory in the Zone for the development and manufacturing of frequency control products. It is expected that the Company's total gross investment will be approximately \$35 million over the next few years. We have land use rights for 75 acres, and the factory is being designed for 13 surface mount device (SMD) production lines. Phase I consists of an administration building, workers dormitory and fabrication plant, and is scheduled for completion late in fiscal 2009 at an estimated cost of approximately \$15 million. We have included the Phase I commitments in the above contractual obligations and commitments table, but the timing of subsequent development is uncertain at this time.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, defined by Regulation S-K item 303(a)(4), other than operating leases.

Critical Accounting Policies

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of such statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. Our estimates are based on historical experience and other assumptions that we consider to be reasonable given the circumstances. Actual results may vary from our estimates.

The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its financial statements. The Securities and Exchange Commission has defined the most critical accounting policies as the ones that are most important to the portrayal of the Company's financial condition and results of operations, and require the Company to make its most difficult and subjective accounting judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company's most critical accounting policies include revenue recognition and accounts receivable allowances, which impact the recording of revenues; valuation of inventories, which impacts costs of goods sold and gross margins; accounting for income taxes, which impacts the income tax provision and net income; impairment of goodwill, other intangible assets and investments, which impacts the goodwill, intangible asset and investment accounts; and stock-based compensation, which impacts costs of goods sold and operating expenses. These policies and the estimates and judgments involved are discussed further below.

REVENUE RECOGNITION. The Company recognizes revenue from the sale of its products upon shipment, provided title and risk of loss has passed to the customer, the price is fixed or determinable and collection of the revenue is reasonably assured. A provision for estimated future returns and other charges

against revenue is recorded at the time of shipment. For the six months ended December 27, 2008 the majority of the Company's revenues were from sales to distributors.

The Company sells products to large, domestic distributors at the price listed in its price book for that distributor. The Company recognizes revenue at the time of shipment. At the time of sale the Company books a sales reserve for ship from stock and debits ("SSD"s), stock rotations, return material authorizations ("RMA"s), authorized price protection programs, and any special programs approved by management. The sales reserve is offset against revenues, which then leads to the net revenue amount reported.

The market price for the Company's products can be significantly different from the book price at which the product was sold to the distributor. When the market price, as compared with the book price, of a particular sales opportunity from the distributor to their customer would result in low or negative margins to the distributor, a ship from stock and debit is negotiated with the distributor. SSD history is analyzed and used to develop SSD rates that form the basis of the SSD sales reserve booked each period. The Company captures these historical SSD rates from its historical records to estimate the ultimate net sales price to the distributor.

The Company's distribution agreements provide for semi-annual stock rotation privileges of typically 10% of net sales for the previous six-month period. The contractual stock rotation applies only to shipments at book price. Asian distributors typically buy the Company's product at less than book price and therefore are not entitled to the 10% stock rotation privilege. In order to provide for routine inventory refreshing, for the Company's benefit as well as theirs, the Company grants Asian distributors stock rotation privileges between 1% and 5% even though the Company is not contractually obligated to do so. Each month a sales reserve is recorded for the estimated stock rotation privilege earned by the distributors that month. This reserve is the sum of product of each distributor's net sales for the month and their stock rotation percentage.

From time to time, customers may request to return parts for various reasons including the customers' belief that the parts are not performing to specification. Many such return requests are the result of customers incorrectly using the parts, not because the parts are defective. These requests are reviewed by management and when approved result in a return material authorization (RMA) being established. The Company is only obligated to accept returns of defective parts. For customer convenience, the Company may approve a particular return request even though it is not obligated to do so. Each month a sales reserve is recorded for the approved RMAs that have not yet been returned. The Company does not keep a general warranty reserve because historically valid warranty returns, which are the result of a part not meeting specifications or being non-functional, have been immaterial and parts can frequently be re-sold to other customers for use in other applications.

Price protection is granted solely at the discretion of Pericom management. The purpose of price protection is to reduce the distributor's cost of inventory as market prices fall, thus reducing SSD rates. Pericom sales management prepares price protection proposals for individual products located at individual distributors. Pericom general management reviews these proposals and if a particular price protection arrangement is approved, the dollar impact will be estimated based on the book price reduction per unit for the products approved and the number of units of those products in the distributor's inventory. A sales reserve is then recorded in that period for the estimated amount in accordance with Issue 4 of Emerging Issues Task Force Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*.

At the discretion of Pericom management, the Company may offer rebates on specific products sold to specific end customers. The purpose of the rebates is to allow for pricing adjustments for large programs without affecting the pricing the Company charges its distributor customers. The rebate is recorded at the time of shipment.

Customers are typically granted payment terms of between 30 and 60 days and they generally pay within those terms. Relatively few customers have been granted terms with cash discounts. Distributors are invoiced for shipments at book price. When they pay those invoices, they claim debits for SSDs, stock rotations, cash discounts, RMAs and price protection when appropriate. Once claimed, these debits are then processed against the approvals.

The revenue the Company records for sales to its distributors is net of estimated provisions for these programs. When determining this net revenue, the Company must make significant judgments and estimates. The Company's estimates are based on historical experience rates, inventory levels in the distribution channel, current trends and other related factors. However, because of the inherent nature of estimates, there is a risk that there could be significant differences between actual amounts and the Company's estimates. The Company's financial condition and operating results depend on its ability to make reliable estimates and management believes such estimates are reasonable.

PRODUCT WARRANTY. The Company offers a standard one-year product replacement warranty. In the past the Company has not had to accrue for a general warranty reserve, but assesses the level and materiality of RMAs and determines whether it is appropriate to accrue for estimated returns of defective products at the time revenue is recognized. On occasion, management may determine to accept product returns beyond the standard one-year warranty period. In those instances, the Company accrues for the estimated cost at the time the decision to accept the return is made. As a consequence of the Company's standardized manufacturing processes and product testing procedures, returns of defective product are infrequent and the quantities have not been significant. Accordingly, historical warranty costs have not been material.

SHIPPING COSTS. Shipping costs are charged to cost of revenues as incurred.

INVENTORIES. Inventories are recorded at the lower of standard cost (which generally approximates actual cost on a first-in, first-out basis) or market value. We adjust the carrying value of inventory for excess and obsolete inventory based on inventory age, shipment history and our forecast of demand over a specific future period of time. Raw material inventory is considered obsolete and written off if it has not moved in 365 days. The Company reviews its assembled devices for excess and writes them off if the quantity of assembled devices in inventory is in excess of the greater of the quantity shipped in the previous twelve months, the quantity in backlog or the quantity forecasted to be shipped in the following twelve months. In certain circumstances, management will determine, based on expected usage or other factors, that inventory considered obsolete by these guidelines should not be written off. The Company does occasionally determine that the last twelve months' sales levels will not continue and reserves inventory in line with the quantity forecasted. The semiconductor markets that we serve are volatile and actual results may vary from our forecast or other assumptions, potentially impacting our assessment of excess and obsolete inventory and resulting in material effects on our gross margin.

IMPAIRMENT OF INTANGIBLE ASSETS. The Company performs an impairment review of its intangible assets at least annually, in conformity with SFAS No. 142, *Goodwill and Other Intangible Assets*. Based on the results of its most recent impairment review, the Company determined that no impairment of its intangible assets existed as of June 28, 2008. However, future impairment reviews could result in a charge to earnings.

INVESTMENTS. We have made investments including loans, bridge loans convertible to equity, or asset purchases as well as direct equity investments. These loans and investments are made with strategic intentions and have been in privately held technology companies, which by their nature are high risk. These investments are included in other assets in the balance sheet and are carried at the lower of cost, or market if the investment has experienced an other-than-temporary decline in value. We monitor these investments quarterly and make appropriate reductions in carrying value if a decline in value is deemed to be other than temporary.

DEFERRED TAX ASSETS. The Company's deferred income tax assets represent temporary differences between the financial statement carrying amount and the tax basis of existing assets and liabilities that will result in deductible amounts in future years, including net operating loss carryforwards. Based on estimates, the carrying value of our net deferred tax assets assumes that it is more likely than not that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. If, in the future, the Company experiences losses for a sustained period of time, the Company may not be able to conclude that it is more likely than not that the Company will be able to generate sufficient future taxable income to realize our deferred tax assets. If this occurs, the Company may be required to increase the valuation allowance against the deferred tax assets resulting in additional income tax expense.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

At December 27, 2008 our investment portfolio consisted of investment-grade fixed income securities, excluding those classified as cash equivalents, of \$89.0 million. These securities are subject to interest rate risk and will decline in value if market interest rates increase. However, we do not believe that such a decrease would have a material effect on our results of operations over the next fiscal year. Due to the short duration and conservative nature of these instruments, we do not believe that we have a material exposure to interest rate risk.

When the general economy weakens significantly, as it has recently, the credit profile, financial strength and growth prospects of certain issuers of interest-bearing securities held in our investment portfolios may deteriorate, and our interest-bearing securities may lose value either temporarily or other than temporarily. We may implement investment strategies of different types with varying duration and risk/return trade-offs that do not perform well. At December 27, 2008, we held a significant portion of our corporate cash in diversified portfolios of investment-grade marketable securities, mortgage- and asset-backed securities, and other securities that have been affected by recent credit market concerns and had unrealized losses of \$90,000. Although we consider these unrealized losses to be temporary, there is a risk that we may incur other-than-temporary impairment charges or realized losses on the values of these and other similarly affected securities if U.S. credit and equity markets do not stabilize and recover to previous levels in the coming quarters.

The Company transacts business in various non-U.S. currencies, primarily the New Taiwan Dollar. The Company is exposed to fluctuations in foreign currency exchange rates on accounts receivable from sales in these foreign currencies and the net monetary assets and liabilities of the related foreign subsidiary. A hypothetical 10% favorable or unfavorable change in foreign currency exchange rates would have a material impact on our financial position or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“the Exchange Act”)) that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

At the time that our Quarterly Report on Form 10-Q for the quarterly period ended December 27, 2008 was originally filed, our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures and concluded that as of the end of such period, our disclosure controls and procedures were effective.

In connection with the restatement discussed above in Note 2 to our consolidated financial statements in Item 1 of this amended report, our management, with the participation of our principal executive officer and principal financial officer reevaluated our disclosure controls and procedures. Based on that reevaluation and solely as a result of the material weaknesses in our internal control over financial reporting described below, our principal executive officer and principal financial officer have now concluded that our disclosure controls and procedures were not effective as of December 27, 2008.

Notwithstanding the material weaknesses that existed at December 27, 2008, management believes, based on its knowledge, that our restated consolidated financial statements and other financial information included in this report, fairly present, in all material respects in accordance with GAAP, our financial condition, results of operations and cash flows as of and for the periods presented in this report.

Material Weakness

In connection with the matters described above, our company's management identified and reported to our Audit Committee the following control deficiencies, each of which constitutes a material weakness in our internal control over financial reporting as of December 27, 2008:

- The Company concluded that certain controls over period-end inventory accounting did not operate with sufficient precision. Misstatements were detected relating to inventory valuation and inventory reserves. In addition, the Company's new enterprise resource planning ("ERP") system, which was implemented in the second quarter of fiscal 2009, contained programming errors that caused certain inventory items to be incorrectly valued.
- The Company did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with the Company's financial reporting requirements. As a result, the Company concluded that controls over the financial statement close process related to account reconciliations and analyses, including investment accounts, accounts receivable reserves, inventories, accounts payable and accrued liabilities, were not effective.

As a result of these misstatements, we have concluded that we did not maintain effective controls as of December 27, 2008 over financial reporting. Our processes, procedures and controls were not effective to ensure that these amounts were accurately reflected in our consolidated financial statements as of and for the period ended December 27, 2008 as previously reported. This control deficiency resulted in the restatement of our December 27, 2008 financial statements by a material amount. Therefore, we concluded that this control deficiency, as of December 27, 2008, constitutes a material weakness.

We intend to remediate these material weaknesses by making a number of improvements to our finance department, including the implementation of improved processes and systems, as well as additions to and upgrades of key finance personnel. We also plan to review our training and oversight policies and re-examine our documentation and review procedures as soon as is reasonably practical. We also intend to engage the help of outside consultants to revamp the processes in the cost module of the ERP system. We may also consider implementing other remediation measures.

Changes in Internal Control Over Financial Reporting

Other than as noted above in this Item 4, there has been no change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A: Risk Factors

This quarterly report on Form 10-Q contains forward-looking statements which involve risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking statement as a result of various factors, including those set forth below. The listing below includes any material changes to and supersedes the description of the risk factors affecting our business previously disclosed in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 28, 2008.

FACTORS THAT MAY AFFECT OPERATING RESULTS

In the past, our operating results have varied significantly and are likely to fluctuate in the future.

We currently have a cautious outlook on our fiscal third quarter ending March 28, 2009, due to the challenging business environment and limited visibility on end-market demands. We have also announced

our expectation that fiscal third quarter revenues will decline from the amount reported for the fiscal second quarter.

Wide varieties of factors affect our operating results. These factors include the following:

- changes in the quantity of our products sold;
- changes in the average selling price of our products;
- general conditions in the semiconductor industry;
- changes in our product mix;
- a change in the gross margins of our products;
- the operating results of the FCP product line, which normally has a lower profit margin than IC products;
- expenses incurred in obtaining, enforcing, and defending intellectual property rights;
- the timing of new product introductions and announcements by us and by our competitors;
- customer acceptance of new products introduced by us;
- delay or decline in orders received from distributors;
- growth or reduction in the size of the market for interface ICs;
- the availability of manufacturing capacity with our wafer suppliers;
- changes in manufacturing costs;
- fluctuations in manufacturing yields;
- disqualification by our customers for quality or performance related issues;
- the ability of customers to pay us; and
- increased research and development expenses associated with new product introductions or process changes.

All of these factors are difficult to forecast and could seriously harm our operating results. Our expense levels are based in part on our expectations regarding future sales and are largely fixed in the short term. Therefore, we may be unable to reduce our expenses fast enough to compensate for any unexpected shortfall in sales. Any significant decline in demand relative to our expectations or any material delay of customer orders could harm our operating results. In addition, if our operating results in future quarters fall below public market analysts' and investors' expectations, the market price of our common stock would likely decrease.

The demand for our products depends on the growth of our end users' markets.

Our continued success depends in large part on the continued growth of markets for the products into which our semiconductor and frequency control products are incorporated. These markets include the following:

- computers and computer related peripherals;
- data communications and telecommunications equipment;
- electronic commerce and the Internet; and
- consumer electronics equipment.

Any decline in the demand for products in these markets could seriously harm our business, financial condition and operating results. These markets have also historically experienced significant fluctuations in demand. We may also be seriously harmed by slower growth in the other markets in which we sell our products.

Our earnings are subject to substantial quarterly and annual fluctuations and to adverse economic conditions and market downturns

Our revenues and earnings have fluctuated significantly in the past and may fluctuate significantly in the future. General economic or other conditions could cause a downturn in the market for our products or technology. The recent financial disruption affecting the banking system and financial markets and the concern as to whether investment banks and other financial institutions will continue operations in the foreseeable future have resulted in a tightening in the credit markets, a low level of liquidity in many

financial markets and extreme volatility in fixed income, credit and equity markets. In addition to the potential impact on our marketable securities portfolio, there could be a number of follow-on effects from the credit crisis on our business that could also adversely affect our operating results. The credit crisis may result in the insolvency of key suppliers resulting in product delays; the inability of our customers to obtain credit to finance purchases of our products and/or customer insolvencies that cause our customers to change delivery schedules, cancel or reduce orders; a slowdown in global economies which could result in lower end-user demand for our products; and increased impairments of our investments. Net investment income could vary from expectations depending on the gains or losses realized on the sale or exchange of securities, gains or losses from equity method investments, and impairment charges related to marketable securities. Our cash and marketable securities investments represent significant assets that may be subject to fluctuating or even negative returns depending upon interest rate movements and financial market conditions in fixed income securities. The current volatility in the financial markets and overall economic uncertainty increase the risk of substantial quarterly and annual fluctuations in our earnings.

If we do not develop products that our customers and end-users design into their products, or if their products do not sell successfully, our business and operating results would be harmed.

We have relied in the past and continue to rely upon our relationships with our customers and end-users for insights into product development strategies for emerging system requirements. We generally incorporate new products into a customer's or end-user's product or system at the design stage. However, these design efforts, which can often require significant expenditures by us, may precede product sales, if any, by a year or more. Moreover, the value to us of any design win will depend in large part on the ultimate success of the customer or end-user's product and on the extent to which the system's design accommodates components manufactured by our competitors. If we fail to achieve design wins or if the design wins fail to result in significant future revenues, our operating results would be harmed. If we have problems developing or maintaining our relationships with our customers and end-users, our ability to develop well-accepted new products may be impaired.

The markets for our products are characterized by rapidly changing technology, and our financial results could be harmed if we do not successfully develop and implement new manufacturing technologies or develop, introduce and sell new products.

The markets for our products are characterized by rapidly changing technology, frequent new product introductions and declining selling prices over product life cycles. We currently offer a comprehensive portfolio of silicon and quartz based products. Our future success depends upon the timely completion and introduction of new products, across all our product lines, at competitive price and performance levels. The success of new products depends on a variety of factors, including the following:

- product performance and functionality;
- customer acceptance;
- competitive cost structure and pricing;
- successful and timely completion of product development;
- sufficient wafer fabrication capacity; and
- achievement of acceptable manufacturing yields by our wafer suppliers.

We may also experience delays, difficulty in procuring adequate fabrication capacity for the development and manufacture of new products, or other difficulties in achieving volume production of these products. Even relatively minor errors may significantly affect the development and manufacture of new products. If we fail to complete and introduce new products in a timely manner at competitive price and performance levels, our business would be significantly harmed.

Intense competition in the semiconductor industry may reduce the demand for our products or the prices of our products, which could reduce our revenues and gross profits.

The semiconductor industry is intensely competitive. Our competitors include Analog Devices, Cypress Semiconductor Corporation, Fairchild Semiconductor, Int'l., Hitachi, Integrated Device Technology, Inc., Intel Corp., Maxim Integrated Products, Inc., Motorola, On Semiconductor Corp., Tundra Semiconductor Corp., PLX Technology, STMicroelectronics, Texas Instruments, Inc., and Toshiba. Most of those competitors have substantially greater financial, technical, marketing, distribution and other resources,

broader product lines and longer-standing customer relationships than we do. We also compete with other major or emerging companies that sell products to certain segments of our markets. Competitors with greater financial resources or broader product lines may have a greater ability to sustain price reductions in our primary markets in order to gain or maintain market share.

We believe that our future success will depend on our ability to continue to improve and develop our products and processes. Unlike us, many of our competitors maintain internal manufacturing capacity for the fabrication and assembly of semiconductor products. This ability may provide them with more reliable manufacturing capability, shorter development and manufacturing cycles and time-to-market advantages. In addition, competitors with their own wafer fabrication facilities that are capable of producing products with the same design geometries as ours may be able to manufacture and sell competitive products at lower prices. Any introduction of products by our competitors that are manufactured with improved process technology could seriously harm our business. As is typical in the semiconductor industry, our competitors have developed and marketed products that function similarly or identically to ours. If our products do not achieve performance, price, size or other advantages over products offered by our competitors, our products may lose market share. Competitive pressures could also reduce market acceptance of our products, reduce our prices and increase our expenses.

We also face competition from the makers of ASICs and other system devices. These devices may include interface logic functions which may eliminate the need or sharply reduce the demand for our products in particular applications.

Our results of operations have been adversely affected by the global economic slowdowns in the past.

In the past, the global economy has experienced economic slowdowns that were due to many factors, including decreased consumer confidence, unemployment, the threat of terrorism, and reduced corporate profits and capital spending. These unfavorable conditions have resulted in significant declines in our new customer order rates. Any future global economic slowing may materially and adversely affect our business, financial condition and results of operations.

Currently there is a general slowdown in the global economy and it may last for an unpredictable period with adverse impacts on credit availability, ability of our company and our customers to maintain or grow revenues and profits, and end-user demand across our customer base.

Downturns in the semiconductor industry, rapidly changing technology, accelerated selling price erosion and evolving industry standards can harm our operating results.

The semiconductor industry has historically been cyclical and periodically subject to significant economic downturns--characterized by diminished product demand, accelerated erosion of selling prices and overcapacity--as well as rapidly changing technology and evolving industry standards. In the future, we may experience substantial period-to-period fluctuations in our business and operating results due to general semiconductor industry conditions, overall economic conditions or other factors. Our business is also subject to the risks associated with the effects of legislation and regulations relating to the import or export of semiconductor products.

Our potential future acquisitions may not be successful.

Our potential future acquisitions could result in the following:

- large one-time write-offs;
- the difficulty in integrating newly-acquired businesses and operations in an efficient and effective manner;
- the challenges in achieving strategic objectives, cost savings, and other benefits from acquisitions as anticipated;
- the risk of diverting the attention of senior management from other business concerns;
- risks of entering geographic and business markets in which we have no or limited prior experience and potential loss of key employees of acquired organizations;
- the risk that our markets do not evolve as anticipated and that the technologies and capabilities acquired do not prove to be those needed to be successful in those markets;

- potentially dilutive issuances of equity securities;
- the incurrence of debt and contingent liabilities or amortization expenses related to intangible assets;
- difficulties in the assimilation of operations, personnel, technologies, products and the information systems of the acquired companies; and
- difficulties in expanding information technology systems and other business processes to accommodate the acquired businesses.

As part of our business strategy, we expect to seek acquisition prospects that would complement our existing product offerings, improve our market coverage or enhance our technological capabilities. Although we are evaluating acquisition and strategic investment opportunities on an ongoing basis, we may not be able to locate suitable acquisition or investment opportunities. In addition, from time to time, we invest in other companies, without actually acquiring them, and such investments involve many of the same risks as are involved with acquisitions.

The trading price of our common stock and our operating results are likely to fluctuate substantially in the future.

The trading price of our common stock has been and is likely to continue to be highly volatile. Our stock price could fluctuate widely in response to factors some of which are not within our control, including:

- general conditions in the semiconductor and electronic systems industries;
- quarter-to-quarter variations in operating results;
- announcements of technological innovations or new products by us or our competitors; and
- changes in earnings estimates by analysts; and price and volume fluctuations in the overall stock market, which have particularly affected the market prices of many high technology companies.

Implementation of FASB rules for the accounting of equity instruments and the issuance of new laws or other accounting regulations, or reinterpretation of existing laws or regulations, could materially impact our business or stated results.

Statement of Accounting Standards (“SFAS”) No. 123(R) *Share-Based Payments* required the Company to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements. The adoption of this statement resulted in a negative impact on the Company’s reported results of operations. In general, from time to time, the government, courts and the financial accounting boards may issue new laws or accounting regulations, or modify or reinterpret existing ones. There may be future changes in laws, interpretations or regulations that would affect our financial results or the way in which we present them. Additionally, changes in the laws or regulations could have adverse effects on hiring and many other aspects of our business that would affect our ability to compete, both nationally and internationally.

We and our independent registered public accounting firm previously determined that we had material weaknesses in our internal control over financial reporting, that have since been remediated. There can be no assurance that a material weakness will not arise in the future. Should such a material weakness arise, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to evaluate and determine the effectiveness of our internal control over financial reporting. In our annual reports on Form 10-K for the years ended June 30, 2007 and July 2, 2005 we reported material weaknesses in our internal control over financial reporting. We have since remediated these deficiencies and continue to spend a significant amount of time and resources to ensure compliance with Section 404 of the Sarbanes-Oxley Act of 2002 to maintain internal control over financial reporting. As reported in Item 9A of the Company’s Form 10-K for the year ended June 28, 2008, our management does not believe we had any material weakness in our internal control over financial reporting as of June 28, 2008, and management has determined that as of June 28, 2008, our internal control over financial reporting was effective. However, considering we will continue to evolve our business in a changing marketplace and will continue to make corresponding

changes in our internal control in financial reporting, there can be no assurance that material weaknesses or significant deficiencies will not arise in the future. Should we or our independent registered public accounting firm determine in future periods that we have a material weakness in our internal control over financial reporting, the reliability of our financial reports may be impacted or impaired, and investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

Customer demand for the Company's products is volatile and difficult to predict.

The Company's customers continuously adjust their inventories in response to changes in end market demand for their products and the availability of semiconductor components. This results in frequent changes in demand for the Company's products. The volatility of customer demand limits the Company's ability to predict future levels of sales and profitability. The supply of semiconductors can quickly and unexpectedly match or exceed demand because end customer demand can change very quickly. Also, semiconductor suppliers can rapidly increase production output. This can lead to a sudden oversupply situation and a subsequent reduction in order rates and revenues as customers adjust their inventories to true demand rates. A rapid and sudden decline in customer demand for the Company's products can result in excess quantities of certain of the Company's products relative to demand. In this event, the Company's operating results might be adversely affected as a result of charges to reduce the carrying value of the Company's inventory to the estimated demand level or market price.

Changes to environmental laws and regulations applicable to manufacturers of electrical and electronic equipment are causing us to redesign our products, and may increase our costs and expose us to liability.

The implementation of new environmental regulatory legal requirements, such as lead free initiatives, may affect our product designs and manufacturing processes. The impact of such regulations on our product designs and manufacturing processes could affect the timing of compliant product introductions as well as their commercial success. Redesigning our products to comply with new regulations may result in increased research and development and manufacturing and quality control costs. In addition, the products we manufacture that comply with new regulatory standards may not perform as well as our current products. Moreover, if we are unable to successfully and timely redesign existing products and introduce new products that meet new standards set by environmental regulation and our customers, sales of our products could decline, which could materially adversely affect our business, financial condition and results of operations.

Our contracts with our wafer suppliers do not obligate them to a minimum supply or set prices. Any inability or unwillingness of our wafer suppliers generally, and Chartered Semiconductor Manufacturing Ltd. and MagnaChip Semiconductor, Inc. in particular, to meet our manufacturing requirements would delay our production and product shipments and harm our business.

In recent years, we purchased approximately 80 to 90% of our wafers from MagnaChip and Chartered, with the balance coming from three to six other suppliers. Our reliance on independent wafer suppliers to fabricate our wafers at their production facilities subjects us to possible risks such as:

- lack of adequate capacity;
- lack of available manufactured products;
- lack of control over delivery schedules; and
- unanticipated changes in wafer prices.

Any inability or unwillingness of our wafer suppliers generally, and Chartered and MagnaChip in particular, to provide adequate quantities of finished wafers to meet our needs in a timely manner would delay our production and product shipments and seriously harm our business. In March 2004, Chartered shut down one of their production facilities that was used to manufacture our products. We transitioned the production of these products to different facilities. The transfer of production of our products to other facilities subjects us to the above listed risks as well as potential yield or other production problems, which could arise as a result of any change.

At present, we purchase wafers from our suppliers through the issuance of purchase orders based on our rolling six-month forecasts. The purchase orders are subject to acceptance by each wafer supplier. We do

not have long-term supply contracts that obligate our suppliers to a minimum supply or set prices. We also depend upon our wafer suppliers to participate in process improvement efforts, such as the transition to finer geometries. If our suppliers are unable or unwilling to do so, our development and introduction of new products could be delayed. Furthermore, sudden shortages of raw materials or production capacity constraints can lead wafer suppliers to allocate available capacity to customers other than us or for the suppliers' internal uses, interrupting our ability to meet our product delivery obligations. Any significant interruption in our wafer supply would seriously harm our operating results and our customer relations. Our reliance on independent wafer suppliers may also lengthen the development cycle for our products, providing time-to-market advantages to our competitors that have in-house fabrication capacity.

In the event that our suppliers are unable or unwilling to manufacture our key products in required volumes, we will have to identify and qualify additional wafer foundries. The qualification process can take up to six months or longer. Furthermore, we are unable to predict whether additional wafer foundries will become available to us or will be in a position to satisfy any of our requirements on a timely basis.

We depend on single or limited source assembly subcontractors with whom we do not have written contracts. Any inability or unwillingness of our assembly subcontractors to meet our assembly requirements would delay our product shipments and harm our business.

We primarily rely on foreign subcontractors for the assembly and packaging of our products and, to a lesser extent, for the testing of finished products. Some of these subcontractors are our single source supplier for some of our new packages. In addition, changes in our or a subcontractor's business could cause us to become materially dependent on a single subcontractor. We have from time to time experienced difficulties in the timeliness and quality of product deliveries from our subcontractors and may experience similar or more severe difficulties in the future. We generally purchase these single or limited source components or services pursuant to purchase orders and have no guaranteed arrangements with these subcontractors. These subcontractors could cease to meet our requirements for components or services, or there could be a significant disruption in supplies from them, or degradation in the quality of components or services supplied by them. Any circumstance that would require us to qualify alternative supply sources could delay shipments, result in the loss of customers and limit or reduce our revenues.

We may have difficulty accurately predicting revenues for future periods.

Our expense levels are based in part on anticipated future revenue levels, which can be difficult to predict. Our business is characterized by short-term orders and shipment schedules. We do not have long-term purchase agreements with any of our customers, and customers can typically cancel or reschedule their orders without significant penalty. We typically plan production and inventory levels based on forecasts of customer demand generated with input from customers and sales representatives. Customer demand is highly unpredictable and can fluctuate substantially. If customer demand falls significantly below anticipated levels, our gross profit would be reduced.

We compete with others to attract and retain key personnel, and any loss of or inability to attract key personnel would harm us.

To a greater degree than non-technology companies, our future success will depend on the continued contributions of our executive officers and other key management and technical personnel. None of these individuals has an employment agreement with us and each one would be difficult to replace. We do not maintain any key person life insurance policies on any of these individuals. The loss of the services of one or more of our executive officers or key personnel or the inability to continue to attract qualified personnel could delay product development cycles or otherwise harm our business, financial condition and results of operations.

Our future success also will depend on our ability to attract and retain qualified technical, marketing and management personnel, particularly highly skilled design, process and test engineers, for whom competition can be intense. During strong business cycles, we expect to experience difficulty in filling our needs for qualified engineers and other personnel.

Our limited ability to protect our intellectual property and proprietary rights could harm our competitive position.

Our success depends in part on our ability to obtain patents and licenses and preserve other intellectual property rights covering our products and development and testing tools. In the United States, we currently hold 111 patents covering certain aspects of our product designs and have 12 additional patent applications pending. Copyrights, mask work protection, trade secrets and confidential technological know-how are also key to our business. Additional patents may not be issued to us or our patents or other intellectual property may not provide meaningful protection. We may be subject to, or initiate, interference proceedings in the U.S. Patent and Trademark Office. These proceedings can consume significant financial and management resources. We may become involved in litigation relating to alleged infringement by us of others' patents or other intellectual property rights. This type of litigation is frequently expensive to both the winning party and the losing party and takes up significant amounts of management's time and attention. In addition, if we lose such a lawsuit, a court could require us to pay substantial damages and/or royalties or prohibit us from using essential technologies. For these and other reasons, this type of litigation could seriously harm our business. Also, although we may seek to obtain a license under a third party's intellectual property rights in order to bring an end to certain claims or actions asserted against us, we may not be able to obtain such a license on reasonable terms or at all.

Because it is important to our success that we are able to prevent competitors from copying our innovations, we intend to continue to seek patent, trade secret and mask work protection for our technologies. The process of seeking patent protection can be long and expensive, and we cannot be certain that any currently pending or future applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. Furthermore, others may develop technologies that are similar or superior to our technology or design around the patents we own.

We also rely on trade secret protection for our technology, in part through confidentiality agreements with our employees, consultants and third parties. However, these parties may breach these agreements. In addition, the laws of some territories in which we develop, manufacture or sell our products may not protect our intellectual property rights to the same extent as do the laws of the United States.

Our independent foundries use a process technology that may include technology we helped develop with them, that may generally be used by those foundries to produce their own products or to manufacture products for other companies, including our competitors. In addition, we may not have the right to implement key process technologies used to manufacture some of our products with foundries other than our present foundries.

We may not provide adequate allowances for exchanges, returns and concessions.

We recognize revenue from the sale of products when shipped, less an allowance based on future authorized and historical patterns of returns, price protection, exchanges and other concessions. We believe our methodology and approach are appropriate. However, if the actual amounts we incur exceed the allowances, it could decrease our revenue and corresponding gross profit.

We are subject to risks related to taxes.

A number of factors, including unanticipated changes in the mix of earnings in countries with differing statutory tax rates or by unexpected changes in existing tax laws or our interpretation of them, could unfavorably affect our future effective tax rate. In the event our management determines it is no longer more likely than not that we will realize a portion of our deferred tax assets we will be required to increase our valuation allowance which will result in an increase in our effective tax rate. Furthermore, our tax returns are subject to examination in all the jurisdictions in which we operate which subjects us to potential increases in our tax liabilities. All of these factors could have an adverse effect on our financial condition and results of operations.

The complexity of our products makes us susceptible to manufacturing problems, which could increase our costs and delay our product shipments.

The manufacture and assembly of our products is highly complex and sensitive to a wide variety of factors, including:

- the level of contaminants in the manufacturing environment;

- impurities in the materials used; and
- the performance of manufacturing personnel and production equipment.

In a typical semiconductor manufacturing process, silicon wafers produced by a foundry are cut into individual die. These die are assembled into individual packages and tested for performance. Our wafer fabrication suppliers have from time to time experienced lower than anticipated yields of suitable die. In the event of such decreased yields, we would incur additional costs to sort wafers, an increase in average cost per usable die and an increase in the time to market or availability of our products. These conditions could reduce our net revenues and gross margin and harm our customer relations.

We do not manufacture any of our IC products. Therefore, we are referred to in the semiconductor industry as a "fabless" producer. Consequently, we depend upon third party manufacturers to produce semiconductors that meet our specifications. We currently have third party manufacturers that can produce semiconductors that meet our needs. However, as the industry continues to progress to smaller manufacturing and design geometries, the complexities of producing semiconductors will increase. Decreasing geometries may introduce new problems and delays that may affect product development and deliveries. Due to the nature of the industry and our status as a "fabless" IC semiconductor company, we could encounter fabrication-related problems that may affect the availability of our products, delay our shipments or increase our costs. We are directly involved in the manufacture of our FCP products. As technologies continue to evolve there may be manufacturing related problems that affect our FCP products. In addition, we have committed to the construction of a new FCP facility located in the Jinan Development Zone in Shandong Province, China, which adds the uncertainties involved with staffing and starting up a new facility in a country where we have no previous operating experience.

A large portion of our revenues is derived from sales to a few customers, who may cease purchasing from us at any time.

A relatively small number of customers have accounted for a significant portion of our net revenues in each of the past several fiscal years. In general we expect this to continue for the foreseeable future. We had two direct customers that accounted for more than 10% of net revenues during the six months ended December 27, 2008. As a percentage of net revenues, sales to our top five direct customers during the six months ended December 27, 2008 totaled 49%.

We do not have long-term sales agreements with any of our customers. Our customers are not subject to minimum purchase requirements, may reduce or delay orders periodically due to excess inventory and may discontinue purchasing our products at any time. Our distributors typically offer competing products in addition to ours. For the six months ended December 27, 2008 and the fiscal year ended June 28, 2008, sales to our distributors were approximately 55% and 49% of net revenues, respectively as compared to approximately 40% of net revenues in the fiscal year ended June 30, 2007 and 39% for the fiscal year ended July 1, 2006. The increase in the percentage of sales to our distributors as compared with the prior periods was due to growth in sales to Asian distributor customers. The loss of one or more significant customers, or the decision by a significant distributor to carry additional product lines of our competitors could decrease our revenues.

Almost all of our wafer suppliers and assembly subcontractors are located in Southeast Asia, which exposes us to the problems associated with international operations.

Risks associated with international business operations include the following:

- disruptions or delays in shipments;
- changes in economic conditions in the countries where these subcontractors are located;
- currency fluctuations;
- changes in political conditions;
- potentially reduced protection for intellectual property;
- foreign governmental regulations;
- import and export controls; and
- changes in tax laws, tariffs and freight rates.

In particular, there is a potential risk of conflict and further instability in the relationship between Taiwan and the People's Republic of China. Conflict or instability could disrupt the operations of one of our principal wafer suppliers and several of our assembly subcontractors located in Taiwan.

Because we sell our products to customers outside of the United States, we face foreign business, political and economic risks that could seriously harm us.

In the six months ended December 27, 2008, we derived approximately 89% of our net revenues from sales in Asia and approximately 3% from sales outside of Asia and the United States. In fiscal year 2008, we derived approximately 88% of our net revenues from sales in Asia and approximately 3% from sales outside of Asia and the United States. In fiscal year 2007, we derived approximately 82% of our net revenues from sales in Asia and approximately 4% from sales outside of Asia and the United States. In fiscal year 2006, we generated approximately 64% of our net revenues from sales in Asia and approximately 17% from sales outside of Asia and the United States. We expect that export sales will continue to represent a significant portion of net revenues. We intend to continue the expansion of our sales efforts outside the United States. This expansion will require significant management attention and financial resources and further subject us to international operating risks. These risks include:

- tariffs and other barriers and restrictions;
- unexpected changes in regulatory requirements;
- the burdens of complying with a variety of foreign laws; and
- delays resulting from difficulty in obtaining export licenses for technology.

We are also subject to general geopolitical risks in connection with our international operations, such as political and economic instability and changes in diplomatic and trade relationships. In addition, because our international sales are denominated in U.S. dollars, increases in the value of the U.S. dollar could increase the price in local currencies of our products in foreign markets and make our products relatively more expensive than competitors' products that are denominated in local currencies. Regulatory, geopolitical and other factors could seriously harm our business or require us to modify our current business practices.

Our shareholder rights plan may adversely affect existing shareholders.

On March 6, 2002, we adopted a shareholder rights plan that may have the effect of deterring, delaying, or preventing a change in control that otherwise might be in the best interests of our shareholders. Under the rights plan, we issued a dividend of one preferred share purchase right for each share of our common stock held by shareholders of record as of March 21, 2002. Each right entitles shareholders to purchase one one-hundredth of our Series D Junior Participating Preferred Stock.

In general, the share purchase rights become exercisable when a person or group acquires 15% or more of our common stock or a tender offer for 15% or more of our common stock is announced or commenced. After such event, our other stockholders may purchase additional shares of our common stock at 50% off of the then-current market price. The rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our Board of Directors. The rights should not interfere with any merger or other business combination approved by our Board of Directors since the rights may be redeemed by us at \$0.001 per right at any time before any person or group acquire 15% or more of our outstanding common stock. These rights expire in March 2012.

Our operations and financial results could be severely harmed by natural disasters.

Our headquarters and some of our major suppliers' manufacturing facilities are located near major earthquake faults. One of the foundries we use is located in Taiwan, which suffered a severe earthquake during fiscal 2000. We did not experience significant disruption to our operations as a result of that earthquake. However, if a major earthquake or other natural disaster were to affect our suppliers, our sources of supply could be interrupted, which would seriously harm our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 26, 2007, the Company's Board of Directors authorized the repurchase of 2.0 million shares under a program disclosed in our previous periodic reports and on April 29, 2008, our Board of Directors authorized the repurchase of an additional \$30 million of our common stock, as announced May 1, 2008.

Pursuant to the 2007 authority, the Company repurchased approximately 139,000 shares in the six months ended December 27, 2008 for an aggregate cost of \$1.9 million and thereby completed the repurchase of the 2.0 million shares at an aggregate cumulative cost of approximately \$25.2 million. Pursuant to the 2008 authority, the Company repurchased approximately 487,000 shares in the six months ended December 27, 2008 for an aggregate cost of \$3.1 million. During the six months ended December 29, 2007, the Company repurchased approximately 471,000 shares for an aggregate cost of \$5.2 million. The average price per share of repurchases under the 2007 and 2008 authority during the first six months of fiscal 2009 was \$7.95.

The repurchases may be made from time to time in the open market or through private transactions at the discretion of Company management. Current cash balances and the proceeds from stock option exercises and employee stock purchase plan purchases have funded stock repurchases in the past, and we expect to fund future stock repurchases from these same sources.

The following table describes the shares repurchased under the authorizations described above for the first six months of fiscal 2009:

Period	Total Number of Shares Purchased FY09	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares or \$ Value That May Yet be Purchased Under the Plans or Programs
August 28 to August 29, 2008	76,066	\$13.72	1,936,876	63,124 shares plus \$ 30,000,000
September 3 to September 10, 2008	123,934	13.11	2,060,810	\$ 29,239,083
November 11 to November 19, 2008	300,000	5.63	2,360,810	\$ 27,550,923
December 2 to December 5, 2008	126,494	4.93	2,487,304	\$ 26,927,528
Total	<u>626,494</u>	<u>\$7.95</u>	<u>2,487,304</u>	<u>\$ 26,927,528</u>

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of shareholders was held on December 11, 2008 in San Jose, California. The proposals presented at the meeting were all approved by the Company's shareholders and the results were as follows:

1. Election of five directors of the Company to serve for the ensuing year and until their successors are elected and qualified.

Name of Director	Votes For	Votes Withheld
Alex Chiming Hui	22,731,324	846,477
Chi-Hung (John) Hui, Ph.D	20,919,687	2,658,114
Hau L. Lee, Ph.D.	21,149,011	2,428,790
Siu-Weng Simon Wong, Ph.D.	22,452,408	1,125,393
Michael J. Sophie	23,153,546	424,255

2. To approve an amendment of the Company's 2004 Stock Incentive Plan to increase the aggregate number of shares authorized for issuance pursuant to restricted stock awards and incentive stock option grants from 2,250,000 to 5,250,000 shares.

Votes For	Votes Against	Votes Abstained
15,708,776	5,224,726	905,153

- To ratify and approve the appointment of Burr, Pilger & Mayer LLP as the independent auditors for the Company for the fiscal year ending June 27, 2009.

Votes For	Votes Against	Votes Abstained
23,547,995	11,475	18,331

Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.1	Amended and Restated Change of Control Agreement, filed as Exhibit 10.1 to the Registrant 8-K, filed on December 17, 2008, and incorporated herein by reference
10.2	Amended and Restated 2004 Stock Incentive Plan, filed as Appendix A to the Registrant's 2008 Proxy Statement, filed on October 23, 2008, and incorporated herein by reference
31.1	Certification of Alex C. Hui, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Angela Chen, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Alex C. Hui, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Angela Chen, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Pericom Semiconductor Corporation
(Registrant)

Date: September 25, 2009

By: /s/ Alex C. Hui
Alex C. Hui
Chief Executive Officer

By: /s/ Angela Chen
Angela Chen
Chief Financial Officer

EXHIBIT 31.1

**PERICOM SEMICONDUCTOR CORPORATION
CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Alex C. Hui, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Pericom Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 25, 2009

/s/ Alex C. Hui

Alex C. Hui

Chief Executive Officer

Pericom Semiconductor Corporation

EXHIBIT 31.2

PERICOM SEMICONDUCTOR CORPORATION CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Angela Chen, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Pericom Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 25, 2009

/s/ Angela Chen
Angela Chen
Chief Financial Officer
Pericom Semiconductor Corporation

EXHIBIT 32.1

PERICOM SEMICONDUCTOR CORPORATION

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this quarterly report of Pericom Semiconductor Corporation (the “Company”) on Form 10-Q/A for the three months ended December 27, 2008 (the “Report”), I, Alex C. Hui, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

September 25, 2009

By: /s/ Alex C. Hui
Alex C. Hui
Chief Executive Officer
Pericom Semiconductor Corporation

EXHIBIT 32.2

PERICOM SEMICONDUCTOR CORPORATION

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this quarterly report of Pericom Semiconductor Corporation (the “Company”) on Form 10-Q/A for the three months ended December 27, 2008 (the “Report”), I, Angela Chen, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

September 25, 2009

By: /s/ Angela Chen
Angela Chen
Chief Financial Officer
Pericom Semiconductor Corporation