



March 21, 2011

Dear Customers:

The devastation caused by the earthquakes, tsunami and the nuclear threat on Japan's people and resources is unprecedented. Our sympathy and prayers continue to be for the Japanese people.

We are learning more about the impact of this disaster on our industry each day. The realities are just starting to be understood, and they are not good for the overall supply chain. While the human casualties remain at the forefront of everyone's mind, many of you have contacted Microchip to determine whether there will be any impact to our supply chain. Microchip now has extensive updates from our supply-chain partners. First, I would like to remind everyone that Microchip's primary manufacturing facilities are located in Arizona and Oregon, and our primary test and assembly facility is located in Thailand.

That said, we have a small supply of products from our Silicon Storage Technology acquisition that come from Japan, but that facility is not in the affected zone. Some of Microchip's raw materials and supplies come from Japan, including our primary silicon wafer supplier, which is located in western part of Japan, away from the areas affected by the earthquake and subsequent tsunami. However, we have confirmation that there are no disruptions to our supply line. Also, our supply of packaging raw materials comes from locations outside of Japan.

Therefore, I would like to confirm to our customers that we have zero reported disruptions to our supply chain. With some planning and a lot of luck, we have completely dodged this bullet so far; the terrible human toll notwithstanding.

However, as we read the status of various fabrication, assembly, test and material plants in the affected area of Japan, we expect the impact to our industry to be significant. There are a number of other manufacturers producing non-Microchip microcontrollers that have been impacted. It is unclear how long and how deep the shortages and disruptions in the supply of non-Microchip microcontrollers will persist.

It is becoming quite clear that many who depend on non-Microchip microcontrollers are also in need of help, based on these shortages. In fact, we have already received a barrage of inquiries from customers in need of a quick "replacement" for several non-Microchip microcontrollers that they had in production. Some of these microcontrollers can be replaced very quickly with Microchip's PIC[®] microcontrollers, while others would require a bit of



redesign effort. So, in the below paragraphs, let me first describe Microchip's capabilities and capacity, followed by a call to action for our existing customers.

Microchip has substantial manufacturing capacity to help those customers who are stranded because of a disruption in their supply chain. We have already initiated the ramp of our fab, assembly and test facilities to produce more supply of our products. Microchip also has more than 1000 global design partners prepared to help every customer in identifying substitute microcontrollers, analog, memory and wireless solutions from Microchip's extensive portfolio, in addition to converting code and assisting with product design. We also have a network of more than 80 distributors throughout the world that are ready to help customers in sourcing production quantities of Microchip's semiconductors.

Now, here is the challenge. Recently, the lead times of Microchip's products have come down and, as a result, many customers have only placed near-term backlog. Before we commit our availability to competitors' customers who are stranded, we would like to ensure that our current customers are taken care of. Despite zero disruptions in our supply line today, the circumstances are changing every day. Some allocations of Microchip's raw materials could develop in the near future, if Microchip's Japanese suppliers start to allocate the output of their unaffected facilities. This fear of raw-material allocation, together with significant demand from our competitors' stranded customers, is likely to take the lead times of Microchip's products back out.

So, here is a call to action for all of Microchip's existing customers. Please make sure that you immediately review your needs and place an order for no less than 12 weeks of your requirements. I have issued similar calls before. History bears out that those who heeded my requests were better off, while the others had to pay expedite charges or suffer delays in product delivery. I am expecting a huge surge of redesign inquiries, as system manufacturers move to rescue their microcontroller and analog product supplies. Therefore, our existing customers should get in line first. We work from backlog, and those who commit backlog to us secure the supply first. In a couple of weeks, we will look at the availability above backlog and start committing that to stranded customers looking for substitutions.

We will update you as the situation changes and when there are further significant developments. If you have any questions, you can always reach us at here2help@microchip.com. Meanwhile, please take immediate action to secure your supply of Microchip product.

Sincerely,
Steve Sanghi
President and CEO
Microchip Technology Inc.