



April 4, 2017

Dear Clients,

Over the years we have made you aware of important changes we see in the overall semiconductor business environment. This is another one of those times. We serve one of the broadest customer bases in the industry, consisting of some 115,000+ customers. We want all of our customers to be aware of the changes we see in the industry. We believe posting this letter on the web is the best way for us to communicate this change broadly.

From our perspective, there are a growing number of shifts taking place in the current supply and demand balance in the semiconductor market. Due to relatively low single digit percentage growth rate in the industry in the last decade, the industry capacity has not grown much. With current semiconductor demand recently increasing, the industry is starting to see lengthening lead times. Demand in some key segments of the business is growing fast enough that some of the semiconductor suppliers have announced limited availability in addition to longer lead times. At Microchip, we experienced extremely strong bookings in the March quarter just completed. We are currently experiencing capacity challenges in fab, probe, assembly and test, across the entire supply chain.

These challenges are more acute on the products that originated from our Atmel acquisition. To date, products that originated from core Microchip have fewer challenges. Atmel originated business has significantly outgrown the capacity plan in place at the time of the acquisition. Though we have made substantial investment in capacity, the industry wide constraints across the supply chain are providing challenges.

Where necessary, our local sales teams will be contacting you to make sure we fully understand your requirements and can communicate effectively with you regarding availability of the specific parts for your needs.

Regards,
Steve Sanghi
CEO

Ganesh Moorthy
President / COO