



July, 31, 2014

Dear Customer,

I am writing this letter to advise you of current business conditions and the effect it is having on our lead times. The business environment is good, and we see strength in many of our end markets including industrial, automotive, housing, consumer electronics and personal computing. We are also seeing exceptional strength in some of our new products and technologies, which are growing at double digit percentages sequentially. As a result, many of our product delivery lead times have stretched out and we are selectively capacity constrained in our wafer fab, wafer sort, assembly, and test operations, particularly on these new products and technologies. Many of our product lead times are currently between 6 weeks and 18 weeks. We are ramping all of our factories as quickly as we can, yet are limited by our suppliers' lead times. We have increased our capital expenditures for current fiscal year from \$125 million to \$175 million, the highest in over a decade.

I would like your help so that we can help you and your business continue to be successful. First, we are still receiving orders everyday where delivery is being requested in as little as 2 to 4 weeks. Second, we have very little capacity left for August and September orders. Therefore, I am requesting that you place orders for your August and September requirements immediately so that we can best match your needs to the small remaining capacity. Once we have visibility of your orders, we will make our best effort to deliver to your schedule.

Currently, we are evaluating wafer starts for product deliveries in late November of this year. To maximize our capacity, we are making the majority of wafer starts based on existing backlog. Therefore, it is extremely important that we have your November/December requirements on backlog as soon as feasible. So again, please act as soon as possible in placing your November and December orders.

My intention in writing this letter is that all customers are equally informed about the environment. Again, I want to assure you that we are working diligently to increase capacity and we are making substantial capital expenditures. We have served you for the past 25 years with some of the shortest lead times and best delivery

performance in the industry. However, the success of many of our new products and technologies has caught us by surprise, putting us into a capacity constrained environment.

Thank you for your business,

Steve Sanghi

President and CEO

Microchip Technology Inc