

Microchip Technology Signs Definitive Agreement to Acquire Gresham, Oregon Wafer Fabrication Facility

FOR IMMEDIATE RELEASE

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Microchip Technology Inc.

GRESHAM, Oregon July 17, 2002 -- (NASDAQ:MCHP) -- Microchip Technology Incorporated announced today that it has executed an agreement to acquire a semiconductor manufacturing complex in Gresham, Oregon from Fujitsu Microelectronics, Inc. for \$183.5 million in cash. The Gresham facility, which the Company is referring to as "Fab 4," will substantially enhance Microchip's short-term and long-term global manufacturing capacity and will help accommodate Microchip's projected worldwide demand for its field-programmable microcontrollers, analog, Serial EEPROMs, and complementary microperipheral products. Initial hiring is expected to reach approximately 60 people during pre-production phases. Over time, Microchip believes it could employ approximately 360 people as the facility reaches high volume manufacturing capacity over the next 5 to 6 years. The transaction is subject to results of Microchip's due diligence and other closing conditions. Closing of the transaction is expected to occur by the end of October, however, Fujitsu Microelectronics has the option to accelerate closing to the end of August 2002 upon completion of all closing conditions.

Situated on a 196-acre campus east of Portland, the Gresham campus comprises approximately 826,500 square feet, including approximately 200,000 square feet of clean room space. The facility is designed to be capable of producing process technologies down to 0.13 micron and to support more than \$1 billion in annual sales at full capacity. The facility comes equipped with approximately 350 process tools and 170 support tools, which will reduce the time required to commence production. Microchip plans to initially produce 8-inch wafers on its 0.5 micron and 0.35 micron process technologies at the Gresham facility. The facility will also house manufacturing operations, offices, meeting rooms and support functions. Microchip currently expects volume production to commence at the facility by July 2003.

Microchip currently intends to maintain its Fab 3 (Puyallup, Washington) manufacturing facility until it is required for future production. Microchip is, however, evaluating its Fab 3 facility to determine if an impairment charge would be required. Microchip will relocate the process equipment from Fab 3 to its wafer fabrication facilities in Tempe and Chandler, Arizona, to further enhance the Company's short-term manufacturing capacity and to reduce its otherwise planned capital expenditures. Following the closing of the acquisition of the Gresham, Oregon facility, Microchip intends to relocate certain equipment from Fab 3 to Fab 4 to create a closer equipment match to the Company's Tempe wafer fabrication facility in order to facilitate a quicker process start at Fab 4.

"Microchip's ability to offer the best lead times on product delivery has been one of the reasons why engineers migrate their designs to our PICmicro, μ microcontroller solutions," said Steve Sanghi, Microchip's CEO and President. "As we expect demand for our semiconductor devices to continue to increase going forward, Microchip is responding quickly to secure additional manufacturing capacity. Without Fab 4, we believe we would have had sufficient manufacturing capacity through the end of September 2003, at our current rate of growth. Beyond that, we would need to add substantial new advance manufacturing equipment at 0.5 and 0.35 micron process technologies in our Tempe, Arizona wafer fabrication facility and at Fab 3 in Puyallup. This acquisition will provide us with extremely cost effective additional manufacturing capacity in a much shorter time frame and on more favorable terms than either the expansion of our Tempe fab or the start up of Fab 3 in Puyallup."

Mr. Sanghi added, "The acquisition of this facility will also accelerate Microchip's technology roadmap. Because of the availability of sufficient advance manufacturing equipment, Microchip will be adding a 0.25 micron advance Technology Development Program in Fab 4 and will relocate certain personnel from its facility in Tempe, Arizona. These actions will preserve Microchip's captive and very cost effective manufacturing strategy to process technologies up to 0.25 microns and below."

Mr. Sanghi continued, "The acquisition is subject to several closing conditions, including the qualification of the facility under Oregon's Strategic Investment Program that caps the property taxes similar to the programs currently granted to Intel Corporation and LSI Logic. "Microchip is pleased with the initial strong support we have received from local and state officials, and we look forward to their continuing efforts to ensure Microchip qualifies under this important program. Microchip has been a very strong supporter and a good citizen of the communities in which we operate. We plan to operate Fab 4 in Gresham, Oregon with similar values."

Conference Call Info:

Microchip will host a teleconference on Wednesday, July 17, 2002 at 2:30 p.m. (Pacific Time) to discuss this release. The call will be simulcast over the Internet at www.microchip.com. The webcast will be available for replay until July 24, 2002. A telephonic replay of the teleconference will also be available at approximately 5:30 p.m. (Pacific Time) July 17, 2002 and remain available until 5:30 p.m. (Pacific Time) on Wednesday, July 24, 2002. Interested parties may listen to the replay by dialing 719-457-2847 and entering access code 478816.

Cautionary Statement:

The statements in this release relating to the Gresham facility substantially enhancing our short-term and long-term global manufacturing capacity and accommodating our projected worldwide demand, initial hiring levels, our belief about employment levels over time, the expected closing date of the transaction, our initial production of 8-inch wafers on our 0.5 and 0.35 micron process technologies, estimates of the process technologies and sales levels that the Gresham facility can support, expected date of commencement of volume production, our intention to maintain our Puyallup manufacturing facility until it is necessary for our future production requirements, our evaluation of the Puyallup manufacturing facility to determine if an impairment charge will be required, relocation of equipment from the Puyallup facility to our other manufacturing facilities, reduction in planned capital expenditures, the relocation of equipment facilitating a quicker process start in the Gresham facility, our lead times on product deliveries, expected increases in demand for our semiconductor devices, the acquisition providing cost-effective capacity, the acquisition accelerating our technology roadmap and preserving our manufacturing strategy and our belief that that we will obtain the necessary qualifications under Oregon's Strategic Investment Program are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially, including, but not limited to: failure of the acquisition of the Gresham facility to close due to failure of the parties to satisfy the closing conditions or other factors; future demand for our products and the products of our customers; delays in permit transfers and/or facilitization of the Gresham facility; our ability to ramp products into volume production at the Gresham facility; availability of equipment and other supplies; the ability to attract and retain qualified personnel in the Gresham area; the level at which design wins become actual orders and sales; pricing pressures; general industry, economic and political conditions; disruptions in international transport or delivery occasioned by unexpected increases in prices or supply of oil or by terrorist activity or armed conflict; impact of events outside the United States, such as the business impact of fluctuating currency rates or unrest or political instability; disruptions in international transport or delivery; our ability to maintain operating margins; financial stability in foreign markets; our timely introduction of new technologies; market acceptance of our new products and those of our customers; competitive factors, such as competing architectures and manufacturing technologies and acceptance of new products in the markets we generally serve; the costs and outcome of any litigation involving intellectual property, customer and other issues.

For a detailed discussion of these and other risk factors, please refer to Microchip's filings on Form 10-K and 10-Q. You can obtain copies of Forms 10-K and 10-Q and any other relevant documents for free at the SEC's Web site (www.sec.gov) or from commercial document retrieval services.

Stockholders of Microchip are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Microchip does not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after this press release, or to reflect the occurrence of unanticipated events.

About Microchip:

Microchip Technology Inc. manufactures the popular PICmicro® field-programmable RISC microcontrollers, which serve 8- and 16-bit embedded control applications, and a broad spectrum of high-performance linear and mixed-signal, power management and thermal management devices. The Company also offers complementary microperipheral products including interface devices; microID® RFID devices; serial EEPROMs; and the patented KEELOQ® security devices. This synergistic product portfolio targets thousands of applications and a growing demand for high-performance designs in the automotive, communications, computing, consumer and industrial control markets.

The Company's quality systems are ISO 9001 (1994 version) and QS9000 (1998 version) certified. Microchip is headquartered in Chandler, Arizona with design facilities in Mountain View, California and Bangalore, India; semiconductor fabrication facilities in Tempe and Chandler, Arizona and Puyallup, Washington; and assembly and test operations near Bangkok, Thailand. Microchip employs approximately 3,200 people worldwide and has sales offices throughout Asia, Europe, Japan and the Americas. More information on the Company can be found at www.microchip.com.

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financial stability in foreign markets; our timely introduction of new technologies; market acceptance of our new products and those of our customers; competitive factors, such as competing architectures and manufacturing technologies and acceptance of new products in the markets we generally serve; the costs and outcome of any litigation involving intellectual property, customer and other issues.

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