MICROCHIP TECHNOLOGY INC
Form DEF 14A
July 11, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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|---|---|
| Filed by the Registrant | ý |
| Filed by a Party other than the Registrant | o |

Check the appropriate box:

o Preliminary proxy statement.
¨ Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
x Definitive Proxy Statement.
¨ Definitive Additional Materials.
¨ Soliciting Material Pursuant to § 240.14a-12.

Microchip Technology Incorporated
(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):
ý No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed to Exchange Act Rule 0-11 (set forth the amount on which the fee is calculated and state how it was determined):

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¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

MICROCHIP TECHNOLOGY INCORPORATED
2355 West Chandler Boulevard, Chandler, Arizona 85224-6199

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
August 16, 2013

| | |
|---|---|
| TIME: | 9:00 a.m. Mountain Standard Time |
| PLACE: | Microchip Technology Incorporated<br>2355 West Chandler Boulevard<br>Chandler, Arizona 85224-6199 |
| ITEMS OF BUSINESS: | (1) The election of each of Steve Sanghi, Matthew W. Chapman, L.B. Day, Albert J. Hugo-Martinez and Wade F. Meyercord to our Board of Directors to serve for the ensuing year and until their successors are elected and qualified.<br>(2) To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of Microchip for the fiscal year ending March 31, 2014.<br>(3) To hold an advisory (non-binding) vote regarding the compensation of our named executives.<br>(4) To transact such other business as may properly come before the annual meeting or any adjournment(s) thereof.<br><br>The Microchip Board of Directors recommends that you vote for each of the foregoing items. |
| RECORD DATE: | Holders of Microchip common stock of record at the close of business on June 20, 2013 are entitled to vote at the annual meeting. |
| ANNUAL REPORT: | Microchip's fiscal 2013 Annual Report, which is not a part of the proxy soliciting material, is enclosed. |
| PROXY: | It is important that your shares be represented and voted at the annual meeting. You can vote your shares by completing and returning the proxy card sent to you. Stockholders may have a choice of voting their shares over the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you. You can revoke your proxy at any time prior to its exercise at the annual meeting by following the instructions in the accompanying proxy statement. |

Kim van Herk
Secretary

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting
of Stockholders to be Held on August 16, 2013
The Microchip Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K for the fiscal year ended March 31, 2013 are available at www.microchip.com/annual_reports.

Chandler, Arizona
July 11, 2013

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MICROCHIP TECHNOLOGY INCORPORATED
2355 West Chandler Boulevard
Chandler, Arizona 85224-6199

## PROXY STATEMENT

You are cordially invited to attend our annual meeting on Friday, August 16, 2013, beginning at 9:00 a.m., Mountain Standard Time. The annual meeting will be held at our Chandler facility located at 2355 West Chandler Boulevard, Chandler, Arizona 85224-6199.

We are providing these proxy materials in connection with the solicitation by the Board of Directors (the "Board") of Microchip Technology Incorporated ("Microchip") of proxies to be voted at Microchip's 2013 annual meeting of stockholders and at any adjournment(s) thereof.

Our fiscal year begins on April 1 and ends on March 31. References in this proxy statement to fiscal 2014 refer to the 12-month period from April 1, 2013 through March 31, 2014; references to fiscal 2013 refer to the 12-month period from April 1, 2012 through March 31, 2013; and references to fiscal 2012 refer to the 12-month period from April 1, 2011 through March 31, 2012.

We anticipate first mailing this proxy statement and accompanying form of proxy on July 11, 2013 to holders of record of Microchip's common stock on June 20, 2013 (the "Record Date").

## PROXIES AND VOTING PROCEDURES

YOUR VOTE IS IMPORTANT. Because many stockholders cannot attend the annual meeting in person, it is necessary that a large number of stockholders be represented by proxy. Stockholders may have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Under Delaware law, stockholders may submit proxies electronically. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote if these options are available to you) or by voting by ballot at the annual meeting.

The method by which you vote will in no way limit your right to vote at the annual meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the annual meeting.

All shares entitled to vote and represented by properly completed proxies received prior to the annual meeting and not revoked will be voted at the annual meeting in accordance with the instructions on such proxies. IF YOU DO NOT INDICATE HOW YOUR SHARES SHOULD BE VOTED ON A MATTER, THE SHARES REPRESENTED BY YOUR PROPERLY COMPLETED PROXY WILL BE VOTED AS OUR BOARD OF DIRECTORS RECOMMENDS.

If any other matters are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the annual meeting to another time or place, the persons named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the annual meeting.

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## Stockholders Entitled to Vote

Stockholders of record at the close of business on the Record Date, June 20, 2013, are entitled to notice of and to vote at the annual meeting. Each share is entitled to one vote on each of the five director nominees and one vote on each other matter properly brought before the annual meeting. On the Record Date, there were 197,300,354 shares of our common stock issued and outstanding.

In accordance with Delaware law, a list of stockholders entitled to vote at the annual meeting will be available at the annual meeting on August 16, 2013, and for 10 days prior to the annual meeting at 2355 West Chandler Boulevard, Chandler, Arizona, between the hours of 9:00 a.m. and 4:30 p.m., Mountain Standard Time.

## Required Vote

### Quorum, Abstentions and Broker Non-Votes

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner (i.e., in "street name") does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Under the rules of the New York Stock Exchange (NYSE), which apply to NYSE member brokers trading in non-NYSE stock, brokers have discretionary authority to vote shares on certain routine matters if customer instructions are not provided. Proposal Two to be considered at the annual meeting may be treated as a routine matter. Consequently, if you do not return a proxy card, your broker may have discretion to vote your shares on such matter.

### Election of Directors (Proposal One)

A plurality of the votes duly cast is required for the election of directors (i.e., the five nominees receiving the greatest number of votes will be elected). Abstentions and broker "non-votes" will not affect the election of directors.

### Ratification of Independent Registered Public Accounting Firm (Proposal Two)

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required for ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of Microchip for the fiscal year ending March 31, 2014. An abstention will have the same effect as voting against this proposal. Broker "non-votes" are not counted for purposes of approving the ratification of our accounting firm, and thus will not affect the outcome of the voting on such proposal.

### Advisory Vote Regarding the Compensation of our Named Executives (Proposal Three)

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the rules of the Securities and Exchange Commission (the "SEC"). Abstentions will have the same effect as voting against this proposal. Broker "non-votes" are not counted for purposes of approving, on an advisory basis, the compensation of our named executive officers, and thus will not affect the outcome of the voting on such proposal.

## Electronic Access to Proxy Statement and Annual Report

This proxy statement and our fiscal 2013 Annual Report are available at www.microchip.com/annual_reports.

We will post our future proxy statements and annual reports on Form 10-K on our website as soon as reasonably practicable after they are electronically filed with the SEC. All such filings on our website are available free of charge. The information on our website is not incorporated into this proxy statement. Our Internet address is www.microchip.com.

## Cost of Proxy Solicitation

Microchip will pay its costs of soliciting proxies including the cost of any proxy solicitor if a proxy solicitor is engaged. Proxies may be solicited on behalf of Microchip by its directors, officers or employees in person or by telephone, facsimile or other electronic means. We may also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of Microchip common stock.

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# THE BOARD OF DIRECTORS

## Meetings of the Board of Directors

Our Board of Directors met eight times in fiscal 2013. During fiscal 2013, each of our directors attended 100% of the meetings of the Board of Directors. Each director attended 100% of the meetings of the committees held during the time such director served on such committees. The Board of Directors has a practice of meeting in executive session on a periodic basis without management or management directors (i.e., Mr. Sanghi) present. The Board of Directors has determined that each of Mr. Chapman, Mr. Day, Mr. Hugo-Martinez and Mr. Meyercord is an independent director as defined by applicable SEC rules and NASDAQ listing standards.

## Board Leadership Structure

The Board of Directors believes that Microchip's Chief Executive Officer, Steve Sanghi, is best situated to serve as Chairman because he is the director most familiar with Microchip's business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. The Board's independent directors have different perspectives and roles in strategic development. In particular, Microchip's independent directors bring experience, oversight and expertise from outside the company and the industry, while the Chief Executive Officer brings company-specific experience and industry expertise. The Board of Directors believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the Board of Directors, which are essential to effective governance. Microchip does not have a lead independent director.

The Board of Directors and the Board committees oversee risk management in a number of ways. The Audit Committee oversees the management of financial and accounting related risks as an integral part of its duties. Similarly, the Compensation Committee considers risk management when setting the compensation policies and programs for Microchip's executive officers. The Board of Directors and the Audit Committee regularly receive reports on various risk-related items including risks related to manufacturing operations, intellectual property, taxes, products and employees. The Board and the Audit Committee also receive periodic reports on Microchip's efforts to manage such risks through safety measures, insurance or self-insurance. The Board of Directors believes that the leadership structure described above facilitates the Board's oversight of risk management because it allows the Board, working through its committees, to participate actively in the oversight of management's actions.

## Communications from Stockholders

Stockholders may communicate with the Board of Directors or individual members of the Board of Directors, provided that all such communication is submitted in writing to the attention of the Secretary at Microchip Technology Incorporated, 2355 West Chandler Boulevard, Chandler, Arizona 85224-6199, who will then forward such communication to the appropriate director or directors.

## Committees of the Board of Directors

The following table lists our three Board committees, the directors who served on them and the number of committee meetings held in fiscal 2013:

Membership on Board Committees in Fiscal 2013

| Name | Audit | Compensation | Nominating and Governance |
|---|---|---|---|
| Mr. Chapman | C | | l |
| Mr. Day | | l | C |
| Mr. Hugo-Martinez | l | * | l |
| Mr. Meyercord | l | C | l |
| Meetings held in fiscal 2013 | 8 | 9 | 3 |

C = Chair
l = Member
* = Served on such committee until August 19, 2012

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Audit Committee

The responsibilities of our Audit Committee are to appoint, compensate, retain and oversee Microchip's independent registered public accounting firm, oversee the accounting and financial reporting processes of Microchip and audits of its financial statements, and provide the Board of Directors with the results of such monitoring. These responsibilities are further described in the committee charter. A copy of the Audit Committee Charter is available at the About Us/Corporate Responsibility section under Ethics and Conduct on www.microchip.com.

Our Board of Directors has determined that all members of the Audit Committee are independent directors as defined by applicable SEC rules and NASDAQ listing standards. The Board of Directors has also determined that each of Mr. Chapman, Mr. Hugo-Martinez and Mr. Meyercord meet the requirements for being an "audit committee financial expert" as defined by applicable SEC rules.

In fiscal 2005, our Board and our Audit Committee adopted a policy with respect to (i) the receipt, retention and treatment of complaints received by us regarding questionable accounting, internal accounting controls or auditing matters; (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting, internal accounting controls or auditing matters; and (iii) the prohibition of harassment, discrimination or retaliation arising from submitting concerns regarding questionable accounting, internal accounting controls or auditing matters or participating in an investigation regarding questionable accounting, internal accounting controls or auditing matters. In fiscal 2012, our Board and our Audit Committee approved an amended policy to include matters regarding violations of federal or state securities laws, or the commission of bribery. This policy, called "Reporting Legal Non-Compliance," was created in accordance with applicable SEC rules and NASDAQ listing requirements. A copy of this policy is available at the About Us/Corporate Responsibility section under Ethics and Conduct on www.microchip.com.

Compensation Committee

Our Compensation Committee has oversight responsibility for the compensation and benefit programs for our executive officers and other employees, and for administering our equity incentive and employee stock purchase plans adopted by our Board of Directors. The responsibilities of our Compensation Committee are further described in the committee charter which was amended and restated as of May 17, 2013. The committee charter is available at the About Us/Corporate Information/Investors Information section under Mission Statement/Corporate Governance on www.microchip.com.

The Board of Directors has determined that the members of our Compensation Committee are independent directors as defined by applicable SEC rules, NASDAQ listing standards and other requirements. For more information on our Compensation Committee, please refer to the "Compensation Discussion and Analysis" at page 14.

Nominating and Governance Committee

Our Nominating and Governance Committee has the responsibility to help ensure that our Board is properly constituted to meet its fiduciary obligations to our stockholders and Microchip and that we have and follow appropriate governance standards. In so doing, the Nominating and Governance Committee identifies and recommends director candidates, develops and recommends governance principles, and recommends director nominees to serve on committees of the Board of Directors. The responsibilities of our Nominating and Governance Committee are further described in the committee charter, as amended and restated as of May 17, 2013, which is available at the About Us/Corporate Responsibility section under Ethics and Conduct on www.microchip.com. The Board of Directors has determined that all of the members of the Nominating and Governance Committee are independent directors as defined by applicable SEC rules and NASDAQ listing standards.

When considering a candidate for a director position, the Nominating and Governance Committee looks for demonstrated character, judgment, relevant business, functional and industry experience, and a high degree of skill. The Nominating and Governance Committee does not have a formal policy with respect to diversity; however, the Board of Directors and the Nominating and Governance Committee believe it is important that the members of the Board of Directors represent diverse viewpoints. Accordingly, the Nominating and Governance Committee considers issues of diversity in identifying and evaluating director nominees, including differences in education, professional experience, viewpoints, technical skills and individual expertise. The Nominating and Governance Committee evaluates director nominees recommended by a stockholder in the same manner as it would any other nominee. The

Nominating and Governance Committee will consider nominees recommended by stockholders provided such recommendations are made in accordance with procedures described in this proxy statement under "Requirements, Including Deadlines, for Receipt of Stockholder Proposals for the 2014 Annual Meeting of Stockholders; Discretionary Authority to Vote on Stockholder Proposals" at page 38. We do not pay any third party to identify or assist in identifying or evaluating potential nominees for director.

Attendance at the Annual Meeting of Stockholders

All directors are encouraged, but not required, to attend our annual meeting of stockholders. All directors attended our 2012 annual meeting of stockholders.

REPORT OF THE AUDIT COMMITTEE *

Our Board of Directors has adopted a written charter setting out the purposes and responsibilities of the Audit Committee. The Board of Directors and the Audit Committee review and assess the adequacy of the charter on an annual basis. A copy of the Audit Committee Charter is available at the About Us/Corporate Responsibility section under Ethics and Conduct on www.microchip.com.

Each of the directors who serve on the Audit Committee meets the independence and experience requirements of the SEC rules and NASDAQ listing standards. This means that the Microchip Board of Directors has determined that no member of the Audit Committee has a relationship with Microchip that may interfere with such member's independence from Microchip and its management, and that all members have the required knowledge and experience to perform their duties as committee members.

We have received from Ernst & Young LLP the written disclosure and the letter required by Rule 3526 of the Public Company Accounting Oversight Board (Communication with Audit Committees Concerning Independence) and have discussed with Ernst & Young LLP their independence from Microchip. We also discussed with Ernst & Young LLP all matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (Codification of Statements on Auditing Standards, AU 380) as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T). We have considered whether and determined that the provision of the non-audit services rendered to us by Ernst & Young LLP during fiscal 2013 was compatible with maintaining the independence of Ernst & Young LLP.

We have reviewed and discussed with management the audited annual financial statements included in Microchip's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 and filed with the SEC, as well as the unaudited financial statements filed with Microchip's quarterly reports on Form 10-Q. We also met with both management and Ernst & Young LLP to discuss those financial statements.

Based on these reviews and discussions, we recommended to the Board of Directors that Microchip's audited financial statements be included in Microchip's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 for filing with the SEC.

By the Audit Committee of the Board of Directors:

| | | |
|---|---|---|
| Matthew W. Chapman (Chairman) | Albert J. Hugo-Martinez | Wade F. Meyercord |

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* The Report of the Audit Committee is not "soliciting" material and is not deemed "filed" with the SEC, and is not incorporated by reference into any filings of Microchip under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this proxy statement and irrespective of any general incorporation language contained in such filings.

Director Compensation

Procedures Regarding Director Compensation

The Board of Directors sets non-employee director compensation. Microchip does not pay employee directors for services provided as a member of the Board of Directors. Our program of cash and equity compensation for non-employee directors is designed to achieve the following goals: compensation should fairly pay directors for work required for a company of Microchip's size and scope; compensation should align directors' interests with the long-term interests of stockholders; compensation should be competitive so as to attract and retain qualified non-employee directors; and the structure of the compensation should be simple, transparent and easy for stockholders to understand. Non-employee director compensation is typically reviewed once per year to assess whether any adjustment is needed to further such goals. The Board of Directors has not used outside consultants in setting non-employee director compensation.

Director Fees

Effective May 10, 2011, non-employee directors receive an annual retainer of $63,000, paid in quarterly installments, and $3,000 for each meeting attended in person. For the fourth quarter of fiscal 2013, our non-employee directors agreed to a 5% reduction in the retainer payment and meeting fees for such quarter to match the 5% pay cut that was in place across the Company. Therefore, during the fourth quarter of fiscal 2013, the directors' quarterly fee was reduced to $14,962.50, and the fee for each in person meeting was reduced to $2,850. Directors do not receive any additional compensation for telephonic meetings of the Board of Directors, for meetings of committees of the Board, or for serving as a committee chair.

Equity Compensation

Under the terms of our 2004 Equity Incentive Plan, each non-employee director is automatically granted:

- upon the date that the individual is first appointed or elected to the Board of Directors as a non-employee director, that number of restricted stock units ("RSUs") equal to $160,000 (based on the fair market value of our common stock on the grant date) which shall vest in equal 25% annual installments on each of the four anniversaries of the tenth business day of the second month of our fiscal quarter in which the grant is made; and
- upon the date of our annual meeting, provided that the individual has served as a non-employee director for at least three months on that date and has been elected by the stockholders to serve as a member of the Board of Directors at that annual meeting, that number of RSUs equal to $84,000 (based on the fair market value of our common stock on the grant date) which shall vest in equal 50% annual installments on each of the two anniversaries of the tenth business day of the second month of our fiscal quarter in which the grant is made.

All vesting of the above grants is contingent upon the non-employee director maintaining his or her continued status as a non-employee director through the applicable vesting date.

In accordance with the foregoing, on August 17, 2012, each of Mr. Chapman, Mr. Day, Mr. Hugo-Martinez and Mr. Meyercord was granted 2,350 RSUs.

The following table details the total compensation for Microchip's non-employee directors for fiscal 2013.

DIRECTOR COMPENSATION

| Name | Fees Earned or Paid in Cash(1) | Stock Awards(2) | Option Awards | Non-Equity Incentive Plan Compensation | All Other Compensation | Total |
|---|---|---|---|---|---|---|
| Steve Sanghi(3) | $— | $— | $— | $— | $— | $— |
| Matthew W. Chapman | 74,063 | 77,550 | — | — | — | 151,613 |
| L.B. Day | 74,063 | 77,550 | — | — | — | 151,613 |
| Albert J. Hugo-Martinez | 74,063 | 77,550 | — | — | — | 151,613 |
| Wade F. Meyercord | 74,063 | 77,550 | — | — | — | 151,613 |

(1) Reflects a voluntary 5% reduction in the retainer payment and meeting fees for the fourth quarter of fiscal 2013 to match the voluntary pay cut that was in place for our executive officers and many other Microchip employees.

(2) These stock awards were RSUs with a fair value on the grant date of $33.00 per share. The market value on the grant date was $35.73 per share with an aggregate market value of the award of approximately $84,000.

(3) Mr. Sanghi, our Chairman of the Board, President and Chief Executive Officer, does not receive any additional compensation for his services as a member of the Board of Directors.

Compensation Committee Interlocks and Insider Participation
The Compensation Committee is currently comprised of Mr. Meyercord (Chair), and Mr. Day. Mr. Hugo-Martinez also served on the Compensation Committee until August 19, 2012. Each such person is an independent director. None of Mr. Day, Mr. Hugo-Martinez nor Mr. Meyercord had any related-party transaction with Microchip during fiscal 2013 other than compensation for service as a director. In addition, none of such directors has a relationship that would constitute a compensation committee interlock under applicable SEC rules. During fiscal 2013, no Microchip executive officer served on the compensation committee (or equivalent) or the board of directors of another entity whose executive officer(s) served either on Microchip's Compensation Committee or Board of Directors.
CERTAIN TRANSACTIONS
During fiscal 2013, Microchip had no related-party transactions within the meaning of applicable SEC rules. Pursuant to its charter, the Audit Committee reviews issues involving potential conflicts of interest and reviews and approves all related-party transactions as contemplated by NASDAQ and SEC rules and regulations. The Audit Committee may consult with the Board of Directors regarding certain conflict of interest matters that do not involve a member of the Board.
SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE
Section 16(a) and related rules under the Securities Exchange Act of 1934 require our directors, executive officers and stockholders holding more than 10% of our common stock to file reports of holdings and transactions in Microchip stock with the SEC and to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us during fiscal 2013, and written representations from our directors and executive officers that no other reports were required, we believe that all Section 16(a) filing requirements applicable to our directors, executive officers and stockholders holding more than 10% of our common stock were met for fiscal 2013.

PROPOSAL ONE

ELECTION OF DIRECTORS

A board of five directors will be elected at the annual meeting. Unless proxy cards are otherwise marked, the persons named in the proxy card will vote such proxy for the election of the nominees named below. Each of the nominees is currently serving as a director and has agreed to continue serving if re-elected. If any of the nominees becomes unable or declines to serve as a director at the time of the annual meeting, the persons named in the proxy card will vote such proxy for any nominee designated by the current Board of Directors to fill the vacancy. We do not expect that any of the nominees will be unable or will decline to serve as a director.
Our Board of Directors has determined that each of the following nominees for director is an independent director as defined by applicable SEC rules and NASDAQ listing standards: Mr. Chapman, Mr. Day, Mr. Hugo-Martinez and Mr. Meyercord.
The term of office of each person who is elected as a director at the annual meeting will continue until the 2014 annual meeting of stockholders and until a successor has been elected and qualified.
Required Vote; Recommendation

A plurality of the votes duly cast is required for the election of directors (i.e., the five nominees receiving the greatest number of votes will be elected). Abstentions and broker "non-votes" will not affect the election of directors. In June 2013, our Board of Directors approved an amendment to our by-laws to provide that beginning with our annual meeting of stockholders to be held in 2014, a nominee for director in an uncontested election shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election (with votes cast excluding abstentions, withheld notes or broker non-votes).

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The Board of Directors recommends that stockholders vote FOR the nominees listed below.
Information on Nominees for Director (as of June 30, 2013)

| Name | Age | Position(s) Held |
|---|---|---|
| Steve Sanghi | 57 | Chairman, President and CEO |
| Matthew W. Chapman | 62 | Director |
| L.B. Day | 68 | Director |
| Albert J. Hugo-Martinez | 67 | Director |
| Wade F. Meyercord | 72 | Director |

Steve Sanghi is currently, and has been since August 1990, a director and President of Microchip Technology Incorporated. Since October 1991, he has served as CEO of Microchip and since October 1993, as Chairman of the Board of Directors of Microchip. Since May 2004, he has been a member of the Board of Directors of Xyratex Ltd., a publicly held U.K. company that specializes in storage and network technology. In May 2007, Mr. Sanghi was appointed to the Board of Directors of FIRST Organization, a not-for-profit public charity founded in 1989 to develop young people's interest in science and technology.

The Board of Directors concluded that Mr. Sanghi should be nominated to serve as a director since he has served as CEO of Microchip for over 20 years and has provided very strong leadership to Microchip over this period. The Board of Directors believes that Mr. Sanghi's management skills have been instrumental to Microchip's extraordinary growth and profitability over the past 20 years and to the strong position Microchip has attained in its key markets.

Matthew W. Chapman has served as a director of Microchip since May 1997. Since December 2006, he has served as President and CEO of Northwest Evaluation Association, a not-for-profit education service organization providing computer adaptive testing for millions of students throughout the United States. In his career, Mr. Chapman has served as CEO and Chairman of Concentrex Incorporated, a publicly held company specializing in supplying software solutions and service to U.S. financial institutions. Mr. Chapman also serves on the Board of Directors of the Oregon Business Association and the All Hands Raised Foundation, and on the Board of Regents of the University of Portland.

The Board of Directors concluded that Mr. Chapman should be nominated to serve as a director due to his significant CEO level experience at several corporations. The Board of Directors also recognizes Mr. Chapman's experience in financial matters and that his background establishes him as an audit committee financial expert under applicable rules and makes him well suited to serve on the Board of Directors’ nominating and governance committee.

L.B. Day has served as a director of Microchip since December 1994. Mr. Day serves as President of L.B. Day & Company, Inc., a consulting firm whose parent company he co-founded in 1977, which provides strategic planning, strategic marketing and organization design services to the elite of the technology world. He has written on strategic planning and is involved with competitive factor assessment in the semiconductor and other technology market segments, geared to helping client organizations incorporate competitive factor assessment findings into their strategic plans. He has served as a board member or as an advisor to many public and private boards.

The Board of Directors concluded that Mr. Day should be nominated to serve as a director due to his significant experience in corporate management and strategic matters.  In particular, through his consulting practice, Mr. Day has been a key strategic advisor to a number of large public corporations. The Board of Directors believes that Mr. Day's background makes him well suited to serve on the Board of Directors' nominating and governance committee and compensation committee.

Albert J. Hugo-Martinez has served as a director of Microchip since October 1990. Since February 2000, he has served as CEO of Hugo-Martinez Associates, a consulting and advisory firm. Since July 2004, he has been a member of the Board of Directors of Reaction Design, currently serving as its Chairman, a privately held company that specializes in software engine design simulation. In his career, Mr. Hugo-Martinez has previously served in executive positions for numerous public companies, including the following: CEO of Applied Micro Circuits Corporation from September 1988 to October 1995 and President and CEO of GGTI Corporation from March 1996 to April 1998. Mr. Hugo-Martinez has previously served on the public company boards of Amkor Technology, Inc. from March 2003 to May 2004, ON Semiconductor Corp. from November 1999 to February 2001 and Ramtron International Corporation from May 2001 to October 2004.

The Board of Directors concluded that Mr. Hugo-Martinez should be nominated to serve as a director due to his significant experience as a senior executive, board member and founder of a number of companies in the semiconductor industry. Mr. Hugo-Martinez has gained further industry experience through his consulting practice. The Board of Directors believes that Mr. Hugo-Martinez's background makes him well suited to serve on the Board of Directors' nominating and governance committee and audit committee. The Board of Directors also recognizes his experience in financial matters and that his background establishes him as an audit committee financial expert under applicable rules.

Wade F. Meyercord has served as a director of Microchip since June 1999. Since October 2002, he has served as President of Meyercord & Associates, Inc., a privately held management consulting firm specializing in executive compensation matters and stock plan consulting for technology companies, a position he previously held part time beginning in 1987. Mr. Meyercord served as a member of the Board of Directors of Endwave Corporation, a publicly held company, from March 2004 until it was acquired in 2011. Mr. Meyercord served as a member of the Board of Directors of California Micro Devices Corporation, a publicly held company, from January 1993 to October 2009 and Magma Design Automation, Inc., a publicly held company, from January 2004 to June 2005.

The Board of Directors concluded that Mr. Meyercord should be nominated to serve as a director due to his significant experience as a senior executive and board member of a number of companies in the technology industry. Mr. Meyercord gained further industry experience through his consulting practice. The Board of Directors believes that Mr. Meyercord's background makes him well suited to serve on the Board of Directors’ nominating and governance committee and compensation committee. The Board of Directors also recognizes his experience in financial matters and that his background establishes him as an audit committee financial expert under applicable rules.

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## PROPOSAL TWO

## RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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The Audit Committee of our Board of Directors has appointed Ernst & Young LLP, independent registered public accounting firm, to audit our consolidated financial statements for the fiscal year ending March 31, 2014. Ernst & Young LLP has audited our financial statements since the fiscal year ended March 31, 2002 and has served as our independent registered public accounting firm since June 2001. The partner in charge of our audit is rotated every five years. Other partners and non-partner personnel are rotated on a periodic basis as required.

We anticipate that a representative of Ernst & Young LLP will be present at the annual meeting, will have the opportunity to make a statement if he or she desires and will be available to respond to appropriate questions.

Stockholder ratification of the appointment of Ernst & Young LLP is not required by our Bylaws or applicable law. However, our Board of Directors chose to submit such appointment to our stockholders for ratification. In the event of a negative vote on such ratification, the Audit Committee will reconsider its selection.

### Fees Paid to Independent Registered Public Accounting Firm

### Audit Fees

This category includes fees associated with our annual audit, the reviews of our quarterly reports on Form 10-Q, and statutory audits required internationally. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of our interim financial statements, statutory audits and the assistance with review of any of our SEC registration statements. This category also included fees associated with the audit of our internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002. The aggregate fees billed or to be billed by Ernst & Young LLP in each of the last two fiscal years for such services were approximately $2,275,000 for fiscal 2013 and $1,350,000 for fiscal 2012. Our audit fees in fiscal 2013 were significantly higher than our audit fees in fiscal 2012 due to our acquisition of Standard Microsystems Corporation, including procedures performed by Ernst & Young LLP in connection with the testing of our allocation of the purchase price of this acquisition.

Audit-Related Fees

This category includes fees associated with employee benefit plan audits, internal control reviews, accounting consultations and attestation services that are not required by statute or regulation. The aggregate fees billed or to be billed by Ernst & Young LLP in each of the last two fiscal years for such services were $55,000 for fiscal 2013 and $23,000 for fiscal 2012.

Tax Fees

This category includes fees associated with tax return preparation, tax advice and tax planning. The aggregate fees billed or to be billed by Ernst & Young LLP in each of the last two fiscal years for such services were approximately $540,000 for fiscal 2013 and $503,000 for fiscal 2012.

All Other Fees

This category includes fees for support and advisory services not related to audit services or tax services. There were no such fees in fiscal 2013 or fiscal 2012.

Our Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by our independent registered public accounting firm. Under the policy, pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget or limit. The Audit Committee may also pre-approve particular services on a case-by-case basis. The Chairman of the Audit Committee has the delegated authority from the Audit Committee to pre-approve a specified level of services, and such pre-approvals are then communicated to the full Audit Committee at its next scheduled meeting. During fiscal 2013, all audit and non-audit services rendered by Ernst & Young LLP were approved in accordance with our pre-approval policy.

Our Audit Committee has determined that the non-audit services rendered by Ernst & Young LLP during fiscal 2013 and fiscal 2012 were compatible with maintaining the independence of Ernst & Young LLP.

Required Vote; Recommendation

The affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting is required to approve the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of Microchip for the fiscal year ending March 31, 2014. Abstentions will have the same effect as a vote against this proposal.

Upon the recommendation of our Audit Committee, our Board of Directors unanimously recommends that stockholders vote "FOR" Proposal Two, the ratification of our independent registered public accounting firm, as described in the Proxy Statement.

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PROPOSAL THREE

APPROVAL OF EXECUTIVE COMPENSATION

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The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's rules (commonly referred to as a "Say-on-Pay").

As described under the heading "Executive Compensation — Compensation Discussion and Analysis," our executive compensation program is a comprehensive package designed to motivate our executive officers to achieve our corporate objectives and is intended to be competitive and allow us to attract and retain highly qualified executive officers. We believe that the various elements of our executive compensation program work together to promote our goal of ensuring that total compensation should be related to both our performance and individual performance.

Stockholders are urged to read the "Compensation Discussion and Analysis" section of this Proxy Statement, beginning on page 14, which discusses how our executive compensation policies implement our compensation philosophy, and the "Compensation of Named Executive Officers" section of this Proxy Statement, which contains tabular information and narrative discussion about the compensation of our named executive officers. These sections provide additional details about our executive compensation programs, including information about fiscal 2013 compensation of our named executive officers. The Compensation Committee and our Board of Directors believe that these policies are effective in implementing our compensation philosophy and in achieving our goals.

We are asking our stockholders to indicate their support for our executive compensation as described in this Proxy Statement. This Say-on-Pay proposal gives our stockholders the opportunity to express their views on our named executive officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we are asking our stockholders to approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosures.

The Say-on-Pay vote is advisory, and therefore not binding on us, the Compensation Committee or our Board of Directors. However, our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. Our current policy is to provide stockholders with an opportunity to approve the compensation of our named executive officers each year at our annual meeting of stockholders. It is expected that the next such vote will occur at our 2014 annual meeting.

Required Vote; Recommendation

The affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting is required to approve the compensation of our named executive officers on an advisory (non-binding) basis. Abstentions will have the same effect as a vote against this proposal.

Our Board of Directors unanimously recommends voting "FOR" Proposal Three, the approval, on an advisory (non-binding) basis, of the compensation of our named executive officers, as described in this Proxy Statement.

SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS,
DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning the beneficial ownership of our common stock as of May 17, 2013 for: (a) each director, (b) our CEO, our CFO and the three other most highly compensated executive officers named in the Summary Compensation Table, (c) all directors and executive officers as a group, and (d) each person who is known to us to own beneficially more than 5% of our common stock. Except as otherwise indicated in the footnotes to this table, and subject to applicable community property laws and joint tenancies, the persons named in this table have sole voting and investment power with respect to all shares of common stock held by such person:

| Name and Address of Beneficial Owner | Number of Shares Beneficially Owned (1) | Percent of Common Stock (1) | |
|---|---|---|---|
| Massachusetts Financial Services Company(2) | 20,992,978 | 10.7 | % |
| The Vanguard Group, Inc. (3) | 11,449,663 | 5.8 | % |
| BlackRock, Inc. (4) | 10,215,984 | 5.2 | % |
| Steve Sanghi (5) | 5,725,306 | 2.9 | % |
| Matthew W. Chapman (6) | 64,244 | * | |
| L.B. Day (7) | 32,666 | * | |
| Albert J. Hugo-Martinez (8) | 37,019 | * | |
| Wade F. Meyercord (9) | 50,297 | * | |
| J. Eric Bjornholt (10) | 14,666 | * | |
| Stephen V. Drehobl | 15,893 | * | |
| Mitchell R. Little | 6,403 | * | |
| Ganesh Moorthy (11) | 221,958 | * | |
| All directors and executive officers as a group (11 people) (12) | 6,564,572 | 3.3 | % |

* Less than 1% of the outstanding shares of common stock as of May 17, 2013. Common Stock shares outstanding at May 17, 2013 were 197,071,334.

(1) For each individual and group included in the table, the number of shares beneficially owned includes shares of common stock issuable to the identified individual or group pursuant to stock options that are exercisable within 60 days of May 17, 2013. There are no stock purchase rights or RSUs that will vest within 60 days of May 17, 2013. In calculating the percentage of ownership of each individual or group, share amounts that are attributable to options that are exercisable within 60 days of May 17, 2013 are deemed to be outstanding for the purpose of calculating the percentage of shares of common stock owned by such individual or group but are not deemed to be outstanding for the purpose of calculating the percentage of shares of common stock owned by any other individual or group.

(2) Address is 111 Huntington Avenue, Boston, MA 02199. All information is based solely on the Schedule 13G filed by Massachusetts Financial Services Company ("MFS") dated February 13, 2013, with the exception of the percentage of common stock held, which is based on shares outstanding at May 17, 2013. Such Schedule 13G indicates that (i) MFS has sole power to dispose of and direct the disposition of the common stock; and (ii) MFS is deemed to be the beneficial owner of 20,992,978 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

(3) Address is 100 Vanguard Boulevard, Malvern, PA 19355. All information is based solely on the Schedule 13G filed by The Vanguard Group, Inc. dated February 12, 2013, with the exception of the percentage of common stock held which is based on shares outstanding at May 17, 2013. Such Schedule 13G indicates that The Vanguard Group, Inc. (i) has sole power to dispose of 11,124,904 shares of common stock and shared power to dispose of 324,759 shares of common stock; (ii) has sole voting power over 333,691 shares of common stock and (iii) is

deemed to be the beneficial owner of

12

11,449,663 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

(4) Address is 40 East 52nd Street, New York, NY 10022. All information is based solely on the Schedule 13G filed by BlackRock, Inc. dated January 30, 2013, with the exception of the percentage of common stock held which is based on shares outstanding at May 17, 2013. Such Schedule 13G indicates that BlackRock, Inc. (i) has sole power to dispose of and direct the disposition of the common stock; and (ii) BlackRock, Inc. is deemed to be the beneficial owner of 10,215,984 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

(5) Includes 2,243,370 shares held of record by The Sanghi Family Trust (the "Family Trust") and 3,036,936 shares held of record by The Sanghi Family Limited Partnership (the "Family Limited Partnership") and 445,000 shares issuable upon exercise of options that are exercisable as of May 17, 2013. Steve Sanghi and Maria T. Sanghi are the sole trustees of the Family Trust. The Family Trust is the sole member of the Sanghi LLC which is the sole general partner of the Family Limited Partnership. There are no stock purchase rights or Restricted Stock Units (RSUs) that will vest within 60 days of May 17, 2013.

(6) Includes 262 shares held in Testamentary Trust of Regan Chapman and 135 shares held by Mr. Chapman's children, and 33,000 shares issuable upon exercise of options that are exercisable as of May 17, 2013. There are no stock purchase rights or Restricted Stock Units (RSUs) that will vest within 60 days of May 17, 2013.

(7) Includes 30,000 shares issuable upon exercise of options that are exercisable as of May 17, 2013. There are no stock purchase rights or Restricted Stock Units (RSUs) that will vest within 60 days of May 17, 2013.

(8) Includes 4,019 shares held of record by Albert J. Hugo-Martinez and S. Gay Hugo-Martinez as trustees, and 33,000 shares issuable upon exercise of options that are exercisable as of May 17, 2013. There are no stock purchase rights or Restricted Stock Units (RSUs) that will vest within 60 days of May 17, 2013.

(9) Includes 18,297 shares held of record by Wade F. Meyercord and Phyllis Meyercord as trustees, and 32,000 shares issuable upon exercise of options that are exercisable as of May 17, 2013. There are no stock purchase rights or Restricted Stock Units (RSUs) that will vest within 60 days of May 17, 2013.

(10) Includes 14,666 shares held of record by J. Eric Bjornholt and Lynn Bjornholt as trustees. There are no stock purchase rights or Restricted Stock Units (RSUs) that will vest within 60 days of May 17, 2013.

(11) Includes 111,958 shares held of record by Ganesh Moorthy and Hema Moorthy as trustees, and 110,000 shares issuable upon exercise of options that are exercisable as of May 17, 2013. There are no stock purchase rights or Restricted Stock Units (RSUs) that will vest within 60 days of May 17, 2013.

(12) Includes an aggregate of 690,828 shares issuable upon exercise of options that are exercisable as of May 17, 2013. There are no stock purchase rights or Restricted Stock Units (RSUs) that will vest within 60 days of May 17, 2013.

# EXECUTIVE COMPENSATION

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview of the Compensation Program

The Compensation Committee of our Board of Directors, presently comprised of Mr. Day and Mr. Meyercord, reviews the performance of our executive officers and makes compensation decisions regarding our executive officers. Our policies for setting compensation for each of our named executive officers (CEO, CFO, and our three other most highly paid executive officers) are the same as those for the rest of our executive officers. Our compensation program is a comprehensive package designed to motivate the executive officers to achieve our corporate objectives and is intended to be competitive and allow us to attract and retain highly qualified executive officers. In general, the types of compensation and benefits provided to our executive officers are similar to those provided to most other Microchip employees, and include salary, cash bonuses, RSUs, and other benefits described below.

### Our Executive Compensation Policy and Objectives

Our compensation policy for executive officers, including our named executive officers, and key employees is based on a "pay-for-performance" philosophy. This "pay-for-performance" philosophy emphasizes variable compensation, primarily by placing a large portion of pay at risk. We believe that this philosophy meets the following objectives:

- rewards performance that may contribute to increased stockholder value,
- attracts, retains, motivates and rewards individuals with competitive compensation opportunities,
- aligns an executive officer's total compensation with our business objectives,
- fosters a team environment among our management that focuses their energy on achieving our financial and business objectives consistent with Microchip's "guiding values,"
- balances short-term and long-term strategic goals, and
- builds and encourages ownership of our common stock.

Decisions regarding cash and equity compensation also include subjective determinations and consideration of various factors with the weight given to a particular factor varying from time to time and in various individual cases, such as an executive officer's experience in the industry and the perceived value of the executive officer's position to Microchip as a whole.

We believe that the overall compensation levels for our executive officers, including our named executive officers, in fiscal 2013 were consistent with our "pay-for-performance" philosophy and were commensurate with our fiscal 2013 performance.

### Executive Compensation Process

On an annual basis, the Compensation Committee evaluates and establishes the compensation of our executive officers, including the named executive officers. The Compensation Committee seeks input from Mr. Sanghi when discussing the performance of, and compensation levels for, the executive officers other than himself. Mr. Sanghi does not participate in deliberations relating to his own compensation.

The Compensation Committee designs our executive compensation program to be competitive with those of other companies in the semiconductor or related industries that are similar to us in number of employees, revenue and capitalization. The Compensation Committee determines appropriate levels of compensation for each executive officer based on their level of responsibility within the organization, performance, and overall contribution. After such determination, the Compensation Committee makes allocations between long-term and short-term as well as the cash and non-cash elements of compensation. Microchip's financial and business objectives, the salaries of executive officers in similar positions with comparable companies and individual performance are considered in making these determinations. If compensation information is reviewed for other companies, it is obtained from published materials such as proxy statements, and information gathered from such companies directly. We do not engage consultants to conduct such review process for us or utilize a specific peer group.

The executive officer compensation process begins with consideration of Microchip's overall annual budget for employee compensation. The Compensation Committee considers the budgeted salary data and individual executive officer salary increases are determined with the goal of keeping the average executive officer salary increase within the budgeted range for all other employees. In setting annual salaries for executive officers, the Compensation Committee also considers relevant industry data but does not target any overall industry percentage level or peer group average.

Microchip's annual budget is created as part of Microchip's annual operating plan process under which business and financial objectives are initially developed by our executive officers, in conjunction with their respective operating units, and then discussed with and approved by our CEO. These objectives are then reviewed by our Board of Directors and the Board of Directors sets the overall financial and business objectives for Microchip on which incentive compensation is based.

The Compensation Committee sets the compensation of our Chairman, CEO and President, Mr. Sanghi, in the same manner as each of our other executive officers. In particular, the Compensation Committee considers Mr. Sanghi's level of responsibility, performance, and overall contribution to the results of the organization. The Compensation Committee also considers the compensation of CEOs of other companies in the semiconductor or related industries that are similar to us in number of employees, revenue and capitalization. Mr. Sanghi primarily participates in the same cash incentive, equity incentive and benefit programs as our other executive officers. For example, his compensation is subject to the same performance metrics as our other executive officers under our EMICP program. The Compensation Committee recognizes that Mr. Sanghi's total compensation package is significantly higher than that of our other executive officers and the Compensation Committee believes this is appropriate in consideration of Mr. Sanghi's superior leadership of Microchip over a long period of time. In particular, the Compensation Committee believes that Mr. Sanghi's leadership has been key to the substantial revenue and profitability growth, strong market position and substantial increase in the market value of Microchip since taking Microchip public in 1993, and to leading Microchip's strong performance relative to others in the industry over a number of years.

For fiscal 2013, the Compensation Committee reviewed and approved the total compensation package of all of our executive officers, including the elements of compensation discussed below, and determined the amounts to be reasonable and competitive.

At our last annual meeting of stockholders held in August 2012, our stockholders approved an advisory (non-binding) proposal concerning our executive compensation program with over 95% of the votes cast in favor of the proposal. The Compensation Committee considered the results of this vote in establishing the compensation program for fiscal 2014.

Elements of Compensation

Our executive compensation program is currently comprised of four major elements:

- annual base salary,
- incentive cash bonuses,
- equity compensation, and
- compensation and employee benefits generally available to all of our employees.

The retirement benefits and other benefits offered to our executive officers are largely the same as those we provide to a broad base of employees. While our executive officers' level of participation in our management incentive compensation plans and equity incentive plans is typically higher than for our non-executive employees, based on the officers' level of responsibility and industry experience, the plans in which our executive officers are eligible to participate are very similar to those for our other employees. The Compensation Committee reviews each element of compensation separately and total compensation as a whole, other than those benefits which are available to all employees. The Compensation Committee determines the appropriate mix of elements to meet our compensation objectives and to help ensure that we remain competitive with the compensation practices in our industry.

Although our executive officers are entitled to certain severance and change of control benefits (as described below), the Compensation Committee does not consider such benefits to be elements of compensation for purposes of annual compensation reviews because such benefits may never be paid.

Base Salaries. We review the base salaries of our executive officers each year. When setting base salaries, we review the business and financial objectives for Microchip as a whole, as well as the objectives for each of the individual officers relative to their respective areas of responsibility. In particular, we consider our overall revenue growth and revenue growth in our strategic product lines, non-GAAP gross margins, non-GAAP operating expenses, non-GAAP net income per diluted share, cash generation, expected capital expenditures and other financial considerations in setting our annual budget for salaries. We also consider the individual performance of our named executive officers including the officer's level of responsibility, performance, overall contribution to the results of the organization, the officer's base salary relative to the salaries of our other officers, salary relative to comparable positions in the industry, the officer's overall compensation including incentive cash bonuses and equity compensation and the officer's performance relative to expectations. We do not assign any specific weight to any such factor but consider such factors as a whole for each executive. This review encompasses the objectives for both the immediately preceding fiscal year and the upcoming fiscal year.

After consideration of the factors described above, the base salaries for our named executive officers other than our CEO were increased by an average of approximately 3.6% in May 2012. Our CEO's base salary increased by approximately 3% in May 2012 compared to the prior fiscal year. The budget for salary increases for our U.S. employee base in May 2012 was 3.0%.

Incentive Cash Bonuses. The Compensation Committee sets performance goals which, if met, result in quarterly payments to our executive officers under the EMICP. Executive officers may also receive quarterly payments under the DMICP. The Compensation Committee establishes performance goals which it believes are challenging, require a high level of performance and motivate participants to drive stockholder value, but which goals are expected to be achievable in the context of business conditions anticipated at the time the goals are set. When setting the performance goals, the Compensation Committee places more emphasis on the overall expected financial performance of Microchip rather than on the achievement of any one individual goal. The Compensation Committee believes that this focus on the overall payout incentivizes outstanding performance across the corporation and drives the overall financial success of the corporation. The Compensation Committee uses the DMICP to help achieve the overall objectives of the performance bonus program.

The performance metrics under the EMICP are determined by the Compensation Committee at the beginning of each quarter so that such compensation may qualify as performance-based compensation within the meaning of Rule 162(m) under the Internal Revenue Code. The metrics may be based on either GAAP or non-GAAP financial results at the discretion of the Compensation Committee. The Compensation Committee typically uses non-GAAP information when setting the targets because it believes such targets are more useful in understanding our operating results due to the exclusion of non-cash, non-recurring and other special charges. Except for the earnings per share metric which changes each quarter, each of the performance metrics is typically the same for each quarter of the fiscal year (or longer). However, during fiscal 2013, due to our acquisition of SMSC in August 2012, the Compensation Committee adjusted certain of the performance metrics for the third quarter of fiscal 2013 to reflect the closing of the acquisition and the Compensation Committee further adjusted certain of the performance metrics for the fourth quarter of fiscal 2013 to reflect the status of the integration of SMSC's business with Microchip's business. The first table below sets forth the performance metrics under the EMICP for the first quarter and second quarter of fiscal 2013, the second table below sets forth performance metrics under the EMICP for the third quarter of fiscal 2013, and the third table below sets forth the performance metrics under the EMICP for the fourth quarter of fiscal 2013:

| | | | Actual Results | | | |
|---|---|---|---|---|---|---|
| Performance Metric | Target Quarterly Measurement for Q1 and Q2 FY13 | Target % of Bonus | Q1 FY13 Performance | Q1 FY13 Bonus Payout % | Q2 FY13 Performance | Q2 FY13 Bonus Payout % |
| Total sequential revenue growth without SMSC | 2.5% | 10 | 3.21% | 12.84 | -4.84% | (19.36) |
| High performance microcontroller sequential revenue growth without SMSC | 10% | 5 | 24.31% | 9.72 | -6.78% | (2.71) |
| Analog sequential revenue growth without SMSC | 4% | 4 | 8.97% | 8.97 | 1.89% | 1.89 |
| Licensing sequential revenue growth without SMSC | 3% | 3 | -4.87% | (6.49) | -0.76% | (1.01) |
| Gross margin percentage (non-GAAP) without SMSC | 58% | 15 | 58.97% | 18.64 | 58.05% | 15.19 |
| Operating expenses as a percentage of sales (non-GAAP) without SMSC | 26% | 14 | 26.30% | 11.90 | 27.16% | 5.88 |
| | 31% | 14 | 32.67% | 17.90 | 30.89% | 13.74 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Operating income as a percentage of sales (non-GAAP) without SMSC | | | | | | |
| Earnings per share (quarterly) (non-GAAP) without SMSC | (1) | 15 | 47.40 | 20.33 | 43.83 | 10.28 |
| EMICP Total | N/A | 80 | N/A | 93.81 | N/A | 23.90 |
| DMICP Total | Discretionary | 20 | N/A | 5.21 | N/A | 1.10 |

(1) The EMICP quarterly non–GAAP earnings per share (EPS) targets for the first and second quarters of fiscal 2013 were $0.45, and $0.46, respectively.

| Performance Metric | Target Quarterly Measurement for Q3 FY 13 | Target % of Bonus | Actual Results Q3 FY13 Performance | Q3 FY13 Bonus Payout % |
|---|---|---|---|---|
| Sequential revenue growth without SMSC | 2.5% | 8 | -3.93% | (12.58) |
| High performance microcontroller sequential revenue growth without SMSC | 10% | 3 | 3.50% | 1.05 |
| Analog sequential revenue growth without SMSC | 4% | 3 | -8.21% | (6.16) |
| Licensing sequential revenue growth | 3% | 3 | 6.05% | 6.05 |
| SMSC revenue | $105,000,000 | 5 | $93,872,000 | (12.66) |
| SMSC business system "go live" on schedule | November 1, 2012 | 3 | December 1, 2012 | 0 |
| Gross margin percentage (non-GAAP) | 57.5% | 14 | 56.02% | 8.82 |
| Operating expenses as a percentage of sales (non-GAAP) | 28.5% | 14 | 30.63% | 3.77 |
| Operating income as a percentage of sales (non-GAAP) | 28.3% | 14 | 25.39% | 7.21 |
| Earnings per share (quarterly) (non-GAAP) | $0.46 | 14 | 41.40 | 4.67 |
| EMICP Total | N/A | 80 | N/A | 0 |
| DMICP Total | Discretionary | 20 | N/A | 0 |

| Performance Metric | Target Quarterly Measurement for Q4 FY 13 | Target % of Bonus | Actual Results Q4 FY13 Performance | Q4 FY13 Bonus Payout % |
|---|---|---|---|---|
| Sequential revenue growth without SMSC | 2.5% | 8 | 4.87% | 15.58 |
| High performance microcontroller sequential revenue growth without SMSC | 10% | 3 | 13.75% | 4.13 |
| Analog sequential revenue growth without SMSC | 4% | 3 | 6.61% | 4.96 |
| Licensing sequential revenue growth | 3% | 3 | 3.39% | 3.39 |
| SMSC sequential revenue growth | 5% | 8 | -1.70% | (2.72) |
| Gross margin percentage (non-GAAP) | 57.5% | 14 | 56.40% | 10.15 |
| Operating expenses as a percentage of sales (non-GAAP) | 28.5% | 13 | 28.61% | 12.52 |
| Operating income as a percentage of sales (non-GAAP) | 28.3% | 14 | 27.79% | 12.81 |
| Earnings per share (quarterly) (non-GAAP) | $0.39 | 14 | 49.10 | 38.17 |
| EMICP Total | N/A | 80 | N/A | 98.99 |
| DMICP Total | Discretionary | 20 | N/A | 31.01 |

The total amount payable to each executive under the EMICP and the DMICP is based on a percentage of his base salary at the time each quarterly payment is made. The participation percentage for each executive is determined at the beginning of the fiscal year based on the executive's base salary at that time and typically stays at the same level for each quarter of the fiscal year. However, the Compensation Committee may change the participation level of an executive each quarter to reflect changes in the performance or responsibilities of the executive or other factors. The dollar amount of the target bonus for each executive is based on assumed achievement of all performance metrics under the EMICP (as disclosed in the tables above) and payment of 20% as a discretionary award under the DMICP (as disclosed in the tables above). The aggregate budgeted bonus pool under the various management incentive compensation plans is calculated by multiplying each eligible executive officer's bonus target percentage by his base salary. In fiscal 2013, the quarterly payments under the EMICP for our named executive officers were targeted at an aggregate of approximately $330,570 for all such officers as a group. In fiscal 2013, the quarterly payments under the DMICP for our named executive officers were targeted at an aggregate of approximately $82,643 for all such officers as a group. Bonuses under the EMICP are subject to a maximum award of $2,500,000 per individual per performance period (which can be a fiscal quarter, a fiscal year or a longer period not exceeding five fiscal years); however, all awards to date have been substantially less than such maximum amount.

The actual awards under the EMICP are based on our actual quarterly financial performance compared to the performance metrics and the actual awards under the DMICP are determined in the discretion of our Compensation Committee and can be significantly higher or lower than the 20% target. The actual awards are calculated by multiplying the overall award percentage payout for the quarter by the applicable percentage of the executive's salary at the end of the fiscal quarter that the award relates to. Thus, if an executive's salary or participation percentage changes during the year, up or down, this would affect his actual bonus payment during the fiscal year. For fiscal 2013, the specific total bonus percentages under both the EMICP and DMICP for each of our named executive officers was as follows: for Mr. Sanghi it was 200% of his salary for the associated quarter; for Mr. Moorthy it was 61% of his salary; for Mr. Little it was 46% of his salary; for Mr. Drehobl it was 45% of his salary; and for Mr. Bjornholt it was 32% of his salary.

As indicated in the above tables, for each of the quarters of fiscal 2013, 3.0% of the quarterly EMICP payment was based on Microchip’s Licensing Division achieving total sequential revenue growth of 3.0%. Accordingly, if Microchip's Licensing Division’s sequential revenue growth for a quarter was 3.0%, then each executive would be paid the corresponding 3.0% of his EMICP target bonus amount for that quarter. If Microchip's Licensing Division’s revenue growth for a quarter was 1.5%, then each executive would be paid a corresponding 1.5% of his target bonus amount for the quarter (i.e., 1/2 of the 3.0%) and if Microchip's Licensing Division’s revenue growth for a quarter was 6.0%, then each executive would be paid a corresponding 6.0% of his target bonus amount for the quarter (i.e., 6/3 of the 3.0%). A similar methodology is applied each quarter to each of the performance metrics listed in the above tables.

As set forth in the above tables, during fiscal 2013, consistent with our "pay-for-performance" philosophy, our CEO and other executive officers received bonuses under the EMICP for the first, second and fourth quarter of fiscal 2013 and no bonuses were earned under the EMICP for the third quarter of fiscal 2013 based on our financial performance for such periods. Payments were also made under the DMICP for the first, second and fourth quarters of fiscal 2013. Specifically, for the first quarter of fiscal 2013, the award under the EMICP was 93.81% of the target and under the DMICP was 5.21% of the target; for the second quarter of fiscal 2013 the award under the EMICP was 23.90% of target and under the DMICP was 1.10% of the target; for the third quarter of fiscal 2013, the award under the EMICP was 0% of the target and under the DMICP was 0% of the target; and in the fourth quarter of fiscal 2013, the award under the EMICP was 98.99% of the target and under the DMICP was 31.01% of the target. Applying these award percentages to each named executive officer's participation level in the plans, for fiscal 2013, the total bonus payments under the EMICP and the DMICP for our named executive officers, other than our CEO, ranged from $40,288 to $108,785. In fiscal 2013, Mr. Sanghi earned an aggregate EMICP bonus of $645,960, and an aggregate DMICP bonus of $109,117. Please see footnote 4 to the Summary Compensation Table on page 24 of this Proxy Statement which sets forth the actual amount of the EMICP and DMICP awards for each named executive officer for fiscal 2013. The differences in the levels of compensation under these programs for the various executive officers are based upon their relative contribution, performance, experience, and responsibility level within the organization.

Equity Compensation. Equity compensation, such as RSUs, constitutes a significant portion of our incentive compensation program because we believe that executive officers and key employees should hold a long-term equity stake in Microchip to align their collective interests with the interests of our stockholders. Accordingly, in fiscal 2013, equity grants in the form of RSUs were a significant portion of our executive officers' total compensation package.

We typically make equity compensation grants to executive officers and key employees in connection with their initial employment, and we also typically make quarterly evergreen grants of equity to incentivize employees on a continuing basis as their initial equity awards vest. In setting the amount of the equity compensation grants, the estimated value of the grants is considered, as well as the intrinsic value of the outstanding equity compensation held by the executive officer, both the unvested retention value and the vested amount. In setting these amounts and any performance goals, the Compensation Committee uses its judgment after considering the effect of the overall RSU amounts and the percentage of RSUs granted to executive officers in connection with the overall financial results and performance of the corporation.

The evergreen grants of RSUs for fiscal 2013 were awarded with vesting subject to meeting specified performance goals over identified periods. In fiscal 2013, these performance goals were related to achieving certain levels of operating expenses over a specified time frame. Specifically, with respect to the RSU awards made in April 2012, the performance goal was related to achieving non-GAAP operating expenses for the three months ended June 30, 2012 of $105 million or less; with an achievement of $95 million of non-GAAP operating expenses necessary for full vesting of the award. Based on the actual operating expenses for such period, these awards will vest at 100%. With respect to the awards made in July 2012, the performance goal was related to achieving non-GAAP operating expenses for the three months ended September 30, 2012 of $109 million or less; with an achievement of $99 million of non-GAAP operating expenses necessary for full vesting of the award. Based on the actual operating expenses for such period, these awards will vest at 100%. With respect to the awards made in October 2012, the performance goal was related to achieving non-GAAP operating expenses for the three months ended December 31, 2012 of $159 million or less, with an achievement of $139 million of non-GAAP operating expenses necessary for full vesting of the award. Based on the actual operating expenses for such period, these awards will vest at 100%. With respect to the awards made in January 2013, the performance goal was related to achieving non-GAAP operating expenses for the three months ended March 31, 2013 of $152 million or less, with an achievement of $132 million of non-GAAP operating expenses necessary for full vesting of the award. Based on the actual operating expenses for such period, these awards will vest at 110%. With respect to the performance goals for the RSU grants, the goals exclude the impact of any acquisitions completed by Microchip during the performance period. In addition to the performance-based vesting requirements, the vesting of each of the foregoing RSU awards is subject to the continued service of the officer on the vesting date which is approximately four years from the grant date.

In addition to our regular quarterly evergreen grants, a special performance-based RSU grant was made on February 4, 2013 to further incentivize our officers to improve our non-GAAP earnings per share and enhance stockholder value. The performance-based goal for this grant was related to achieving non-GAAP quarterly earnings per share of $0.63 or greater. These awards did not vest in fiscal 2013. In addition to the performance-based vesting requirements, the vesting period of the special performance-based grant is subject to the continued service of the officer over the vesting period, which is up to ten years from the date of the grant.

Grants of RSUs may also be made in connection with promotions, other changes in responsibilities or in recognition of other individual or Microchip developments or achievements. Grants of RSUs in fiscal 2013 typically were scheduled to vest approximately four years from the grant date. RSUs do not have a purchase price and therefore have immediate value to recipients upon vesting. On March 31, 2013, approximately 36% of our employees worldwide held RSUs or options to purchase our common stock. Since the middle of fiscal 2006, RSUs have been the principal equity compensation vehicle for Microchip executive officers and key employees.

In granting equity compensation awards to executive officers, we consider numerous factors, including:

- the individual's position, experience, and responsibilities,
- the individual's future potential to influence our mid- and long-term growth,
- the vesting schedule of the awards, and
- the number and value of awards previously granted.

We do not separately target the equity element of our executive officer compensation programs at a specific percentage of overall compensation. However, overall total compensation is structured to be competitive so that we can attract and retain executive officers. In setting equity award levels, we also take into consideration the impact of the equity-based awards on the dilution of our stockholders' ownership interests in our common stock.

The Compensation Committee grants RSUs to executive officers and current employees on a quarterly basis in an attempt to more evenly record stock-based compensation expense. Grants of RSUs to new employees (other than executives) are made once per month by the Employee Committee at a meeting of such committee. Grants of RSUs to any new executive officer would be made at the first meeting of the Compensation Committee following the election of such officer. Microchip does not have any program, plan or practice to time grants of RSUs in coordination with the release of material non-public information. Microchip does not time, nor do we plan to time, the release of material non-public information for the purposes of affecting the value of executive compensation.



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See the table under "Grants of Plan-Based Awards for Fiscal Year Ended March 31, 2013" at page 26 for information regarding RSUs granted during fiscal 2013 to our named executive officers.

Stock Ownership Guidelines for Key Employees and Directors. To help ensure alignment of the interests of our management and Board of Directors with those of our stockholders, we have put in place a stock holding policy that applies to each member of our management and Board of Directors. This policy was proposed by our Nominating and Governance Committee and ratified by our Board of Directors in October 2003. Under this policy, effective April 1, 2004, each of our directors, executive officers, vice presidents and internal director-level employees must maintain a specified minimum level of ownership of our stock during their tenure in their respective office or position. During fiscal 2013, all of our executive officers were in compliance with the terms of such policy.

Microchip's insider trading policy does not permit executive officers to speculate in Microchip stock, which includes a prohibition on short selling, buying and selling options (including writing covered calls) or hedging or any type of arrangement that has a similar economic effect.

Other Compensation and Employee Benefits Generally Available to All Employees. We maintain compensation and employee benefits that are generally available to all Microchip employees, including:

- our employee stock purchase plan,
- medical, dental, vision, employee assistance program, flexible spending, and disability insurance,
- life insurance benefits,
- a 401(k) retirement savings plan,
- an employee cash bonus plan, and
- vacation and paid time off.

Since these programs are generally available to all employees, these forms of compensation are not independently evaluated by the Compensation Committee in connection with the annual determination of executive officer compensation.

Employee Stock Purchase Plan. Our 2001 Employee Stock Purchase Plan is a Section 423 qualified employee stock purchase plan that allows all U.S. employees the opportunity to purchase our common stock through payroll deduction at 85% of the fair market value at the lower of the price as of the opening of the two-year offering period or at the end of any six-month purchase period. A significant portion of our international employees have the ability to participate in our 1994 International Employee Stock Purchase Plan that allows them the opportunity to purchase our common stock through payroll deduction at 85% of the fair market value at the lower of the price as of the opening or the end of any six-month offering period.

Medical, Dental, Vision, Employee Assistance Program, Flexible Spending, Disability Insurance and Accidental Death and Dismemberment. We make medical, dental, vision, employee assistance program, flexible spending, and disability insurance generally available to all of our employees through our active benefit plans. Under these generally available plans, our named executive officers are eligible to receive between $1,000 and $7,500 per month in long-term disability coverage depending on which plan they elect. Short-term disability coverage is provided which allows for 100% of base salary to be paid for six months in the event of disability. Accidental death and dismemberment insurance, which is generally available to our U.S. employees, is provided by Microchip to our executives with a benefit of one times the executive's annual salary. Since all of our U.S. employees participate in these plans on a non-discriminatory basis, the value of these benefits to our named executive officers is not required to be included in the Summary Compensation Table on page 24 pursuant to SEC rules and regulations.

Life Insurance. In fiscal 2013, we provided life insurance coverage to our named executive officers in the amount up to one and a half times the executive's annual salary (up to a maximum of $500,000). The named executive officers may purchase supplemental life insurance at their own expense.

401(k). We maintain a 401(k) plan for the benefit of all of our U.S. employees to allow our employees to save for retirement. We contribute to our 401(k) plan each year based on our profitability during the year, subject to maximum contributions and other rules prescribed by Federal law governing such plans. Our named executive officers are permitted to participate in the plans to the same extent as our other U.S. employees. Our Compensation Committee approved discretionary matching contributions for the first, second, and third quarters of fiscal 2013 equal to $0.125

for each dollar contributed by the employee for the first 4% of their salary contributions. For the fourth quarter of fiscal 2013, our Compensation Committee approved discretionary matching contributions equal to $0.50 for each dollar contributed by the employee for the first 4% of their salary contributions. There are no required matching contributions under the plan.

Employee Cash Bonus Plan. All of our employees worldwide participate in our Employee Cash Bonus Plan or ECBP. The ECBP is a discretionary bonus plan designed to allow our full-time employees, not just our executive officers, to share in the success of the company. The target bonus under the ECBP is 2.5 days of base salary per quarter, or on an annual basis, two weeks of annual base salary which may be granted by the Compensation Committee if certain Microchip operating profitability objectives are achieved. Under the ECBP, the Compensation Committee can set the eligibility requirements and targets and has discretion to pay more or less than the stated target. Other eligibility terms also apply, such as an attendance requirement and a performance requirement.

The pay-out under the ECBP is approved by the Compensation Committee based on our actual quarterly operating results. For the first quarter of fiscal 2013, bonus awards were paid out at 25% of target for all employees; for the second and third quarter of fiscal 2013, no awards were paid out; and for the fourth quarter of fiscal 2013, bonus awards were paid out at 105% of target plus an additional 50% for employees and executives who participated in our voluntary 5% salary reduction program during a portion of fiscal 2013. Under the ECBP, for fiscal 2013, our named executive officers other than our CEO received total payments ranging from $3,370 to $4,773 and our CEO received $10,105.

Vacation and Paid Time-Off Benefits. We provide vacation and other paid holidays to all of our employees, including our named executive officers. We believe our vacation and holidays are comparable to others in the industry.

Non-Qualified Deferred Compensation Plan. We maintain a non-qualified deferred compensation plan for certain employees, including our named executive officers, who receive compensation in excess of the 401(k) contribution limits imposed under the Internal Revenue Code and desire to defer more compensation than they would otherwise be permitted under a tax-qualified retirement plan, such as our 401(k) plan. Microchip does not make contributions to this non-qualified deferred compensation plan. This plan allows our executive officers to make pre-tax contributions to this plan which would be fully taxed to the executive officers after the executive officer's termination of employment with Microchip.

We do not have pension plans or other retirement plans for our named executive officers or our other U.S. employees.

Employment Contracts, Termination of Employment and Change of Control Arrangements We do not have employment contracts with our CEO, CFO or any of our executive officers, nor agreements to pay severance on involuntary termination (other than as stated in the change of control agreements below) or upon retirement. Our CEO, CFO, and our executive officers have entered into change of control agreements with us.

The change of control agreements were designed to help ensure the continued services of our key executive officers in the event that a change of control of the company is effected, and to assist our key executive officers in transitioning from the company if as a result of a change of control, they lose their positions. We believe that the benefits provided by these agreements help to ensure that our management team will be incentivized to remain employed with Microchip during a change of control. Capitalized terms used herein and not defined shall have the meanings set forth in the change of control agreements. Additionally, our 2004 Equity Incentive Plan has a change of control provision which provides that any successor company shall assume each outstanding award or provide an equivalent substitute award; however, if the successor fails to do so, vesting of awards shall accelerate. The Compensation Committee considered prevalent market practices in determining the severance amounts and the basis for selecting the events triggering payment in the agreements.

With respect to our CEO, CFO and VP of Worldwide Sales, if the executive officer's employment terminates for reasons other than Cause within the Change of Control Period, the executive officer will be entitled to receive severance benefits consisting of the following primary components:

- a one-time payment of his base salary in effect immediately prior to the Change of Control or termination date, whichever is greater, for the following periods: (1) in the case of the CEO, two years; (2) in the case of the CFO and the VP of Worldwide Sales, one year;
- a one-time payment of his bonuses for which he was or would have been eligible in the year in which the Change of Control occurred or for the year in which termination occurred, whichever is greater, for the following periods: (1) in the case of the CEO, two years; (2) in the case of the CFO and the VP of Worldwide Sales, one year;
- a continuation of medical and dental benefits (subject to any required employee contributions) for the following periods: (1) in the case of the CEO, two years; (2) in the case of the CFO and VP of Worldwide Sales, one year;

provided in each case that such benefits would cease sooner if and when the executive officer becomes covered by the plans of another employer; and

- a payment to cover any excise tax that may be due under Section 4999 of the Code, if the payments provided for in the change of control agreement constitute "parachute payments" under Section 280G of the Code and the value of such payments is more than three times the executive officer's "base amount" as defined by Section 280G(b)(3) of the Code.

With respect to our CEO, the CFO and the VP of Worldwide Sales, immediately prior to a Change of Control (regardless of whether the executive officer's employment terminates), all equity compensation held by the executive officer shall become fully vested.

With respect to our executive officers other than the CEO, the CFO and the VP of Worldwide Sales, if the executive officer terminates his employment for Good Reason, or the executive's employment is terminated for reasons other than Cause within the Change of Control Period, the executive officer will be entitled to receive severance benefits consisting of the following primary components:

- a one-time payment of his base salary in effect immediately prior to the Change of Control or termination date, whichever is greater, for one year,
- a one-time payment of his bonuses for which he was or would have been eligible in the year in which the Change of Control occurred or for the year in which termination occurred, whichever is greater, for one year,
- a continuation of medical and dental benefits (subject to any required employee contributions) for one year (provided in each case that such benefits would cease sooner if and when the executive officer becomes covered by the plans of another employer), and
- a payment to cover any excise tax that may be due under Section 4999 of the Code, if the payments provided for in the change of control agreement constitute "parachute payments" under Section 280G of the Code and the value of such payments is more than three times the executive officer's "base amount" as defined by Section 280G(b)(3) of the Code.

With respect to our executive officers other than the CEO, the CFO and the VP of Worldwide Sales, immediately upon termination during the Change of Control Period other than for Cause, all equity compensation held by the executive officer shall become fully vested.

The following table sets forth the aggregate dollar value of payments, to the extent calculable, in the event of a termination of a named executive officer on March 31, 2013, the last business day of our last completed fiscal year.

| Name | Salary | Bonus | Equity Compensation Due to Accelerated Vesting (1) | Tax Gross-up on Change of Control (2) | Continuation of Certain Benefits (3) |
|---|---|---|---|---|---|
| Steve Sanghi (4) | $1,159,217 | $2,363,019 | $16,995,057 | $— | 2 years |
| Ganesh Moorthy (5) | 273,787 | 177,541 | 6,197,547 | — | 1 year |
| Mitchell R. Little (5) | 266,355 | 132,768 | 3,397,805 | — | 1 year |
| Stephen V. Drehobl (5) | 216,561 | 99,285 | 3,428,729 | — | 1 year |
| J. Eric Bjornholt (5) | 193,284 | 69,285 | 1,984,624 | — | 1 year |

(1) Value represents the gain our named executive officers would receive, calculated as the amount of unvested RSUs multiplied by our stock price on March 31, 2013.

(2) This payment covers any excise tax that may be payable under Section 4999 of the Code if the payments provided for under the change of control agreement constitute "parachute payments" under Section 280G of the Code and the value of the payments is more than three times the executive officer's "base amount" as defined by Section 280G(b)(3) of the Code.

(3) Benefits continued under the change of control agreements are limited to company-paid medical, dental, vision and life insurance coverage at the same level of coverage the executive was provided immediately prior to termination of employment with Microchip. Amounts are not determinable at this time and are dependent on each executive officer's individual circumstances.

(4) The change of control payment includes an amount equal to twice the annual salary of the executive plus a bonus equal to two times the targeted annual amount payable to such executive under our management incentive compensation plans (EMICP and DMICP) and ECBP.

(5) The change of control payment includes an amount equal to one times the annual salary of the executive plus a bonus equal to the targeted annual amounts payable to such executive under our management incentive

compensation plans (EMICP and DMICP) and ECBP.

Performance-Based Compensation and Financial Restatement

To date, Microchip has not experienced a financial restatement and has not considered or implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to its executive officers and other employees where such payments were predicated upon the achievement of certain financial results that would subsequently be the subject of a restatement.

Tax Deductibility

Section 162(m) of the Code disallows a corporate income tax deduction for executive compensation paid to our named executive officers in excess of $1,000,000 per year, unless that income meets permitted exceptions. In order to enhance our ability to obtain tax deductions for executive compensation, our stockholders have approved our EMICP. This allows us to seek to have such compensation under our EMICP qualify as performance-based compensation under Section 162(m). Additionally, our 2004 Equity Incentive Plan allows for the granting of performance-based awards such as RSUs. To the extent that we grant awards with such performance-based limitations, we would expect them to qualify as performance-based awards for purposes of 162(m).

To maintain flexibility in compensating Microchip's executive officers in a manner designed to promote varying corporate goals, it is not the policy of the Compensation Committee that executive compensation must be tax deductible. We intend to review the deductibility of executive officer compensation from time to time to determine whether any additional actions are advisable to obtain deductibility.

Conclusion

We believe that our executive team provided outstanding service to Microchip in fiscal 2013. We will work to assure that the executive compensation programs continue to meet Microchip's strategic goals as well as the overall objectives of the compensation program.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION [*]

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the Compensation Committee of the Board of Directors:

| | |
|---|---|
| Wade F. Meyercord<br>(Chair) | L.B. Day |

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[*] The Compensation Committee Report on executive compensation is not "soliciting" material and is not deemed "filed" with the SEC, and is not incorporated by reference into any filings of Microchip under the Securities Act of 1933 or the Securities Exchange Act of 1934 whether made before or after the date hereof and irrespective of any general incorporation language contained in such filings.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE

The following table lists the annual compensation for our CEO, our CFO and our three other most highly compensated executive officers (referred to as the "named executive officers") earned in the last three fiscal years:

| Name and Principal Position | Year | Salary (1) | Bonus (2) | Stock Awards (3) | Non-Equity Incentive Plan Compensation (4) | Change in Pension Value and Non-Qualified Deferred Compensation Earnings (5) | All Other Compensation (6) | Total |
|---|---|---|---|---|---|---|---|---|
| Steve Sanghi, | 2013 | $595,647 | $10,105 | $3,223,353 | $755,077 | $ — | $5,251 | $4,589,433 |
| President and | 2012 | 590,002 | 5,696 | 4,941,248 | 669,471 | — | 3,763 | 6,210,180 |
| CEO | 2011 | 550,712 | 42,850 | 2,488,972 | 2,228,209 | — | 6,663 | 5,317,406 |
| Ganesh Moorthy, | 2013 | 281,686 | 4,773 | 1,248,919 | 108,786 | — | 3,245 | 1,647,409 |
| COO | 2012 | 279,596 | 2,690 | 1,235,085 | 84,926 | — | 3,213 | 1,605,510 |
| | 2011 | 267,450 | 20,825 | 1,031,147 | 324,868 | — | 5,685 | 1,649,975 |
| Mitchell R. | 2013 | 274,192 | 4,644 | 638,879 | 79,808 | — | 4,885 | 1,002,408 |
| Little, | 2012 | 273,332 | 2,630 | 665,603 | 62,608 | — | 4,196 | 1,008,369 |
| VP, Worldwide Sales and Applications | 2011 | 261,646 | 20,358 | 568,912 | 243,485 | — | 5,898 | 1,100,299 |
| Stephen V. | 2013 | 222,144 | 3,776 | 732,280 | 63,477 | — | 2,684 | 1,024,361 |
| Drehobl, VP, | 2012 | 215,169 | 2,073 | 676,537 | 45,049 | — | 2,690 | 941,518 |
| MCU8 and Technology Development Division | 2011 | 203,795 | 15,891 | 580,259 | 165,266 | — | 4,278 | 969,489 |
| J. Eric Bjornholt, VP and CFO | 2013 | 198,861 | 3,370 | 426,383 | 40,288 | — | 2,074 | 670,976 |
| | 2012 | 197,169 | 1,899 | 390,623 | 31,452 | — | 2,129 | 623,272 |
| | 2011 | 186,106 | 14,562 | 348,095 | 121,152 | — | 3,818 | 673,733 |

(1) Represents the base salary earned by each executive officer in the specified fiscal year.

(2) Represents bonuses earned by each executive officer in the specified fiscal year under our ECBP.

(3) Represents the aggregate grant date fair value of awards of RSUs made in the specified fiscal year computed in accordance with ASC 718 Compensation - Stock Compensation. For information on the valuation assumptions made with respect to the grants of RSUs in fiscal 2013, please refer to Note 20, "Equity Incentive Plans" to Microchip's audited financial statements for the fiscal year ended March 31, 2013 included in our Annual Report on Form 10-K filed with the SEC on May 30, 2013.

(4) Represents the aggregate amount of bonuses earned by each executive officer in the specified fiscal year under our EMICP and DMICP. Each executive officer received the following payments under each of such plans in the specified fiscal year:

| Named Executive Officer | Year | EMICP | DMICP |
|---|---|---|---|
| | 2013 | $645,960 | $109,117 |
| Steve Sanghi | 2012 | 529,111 | 140,360 |
| | 2011 | 1,438,039 | 790,170 |
| | 2013 | 93,065 | 15,721 |
| Ganesh Moorthy | 2012 | 76,230 | 8,696 |
| | 2011 | 209,663 | 115,205 |
| | 2013 | 68,275 | 11,533 |
| Mitchell R. Little | 2012 | 56,197 | 6,411 |
| | 2011 | 157,140 | 86,345 |
| | 2013 | 54,304 | 9,173 |
| Stephen V. Drehobl | 2012 | 40,436 | 4,613 |
| | 2011 | 106,659 | 58,607 |
| | 2013 | 34,466 | 5,822 |
| J. Eric Bjornholt | 2012 | 28,231 | 3,221 |
| | 2011 | 78,189 | 42,963 |

(5) Any contributions under our non-qualified deferred compensation plan are invested at the discretion of the executive officer and there are no above-market or preferential earnings on such amounts made or provided by Microchip.

(6) Consists of company-matching contributions under our 401(k) retirement savings plan and the full dollar value of premiums paid by Microchip for life insurance for the benefit of the named executive officer in the amounts shown below:

| Named Executive Officer | Year | 401(k) | Life Insurance |
|---|---|---|---|
| | 2013 | $3,574 | $1,677 |
| Steve Sanghi | 2012 | 2,129 | 1,634 |
| | 2011 | 4,986 | 1,677 |
| | 2013 | 2,348 | 897 |
| Ganesh Moorthy | 2012 | 2,281 | 932 |
| | 2011 | 4,788 | 897 |
| | 2013 | 2,311 | 2,574 |
| Mitchell R. Little | 2012 | 2,285 | 1,911 |
| | 2011 | 4,221 | 1,677 |
| | 2013 | 1,902 | 782 |
| Stephen V. Drehobl | 2012 | 1,908 | 782 |
| | 2011 | 3,760 | 518 |
| | 2013 | 1,775 | 299 |
| J. Eric Bjornholt | 2012 | 1,824 | 305 |
| | 2011 | 3,542 | 276 |

Grants of Plan-Based Awards During Fiscal 2013

The following table sets forth information with respect to our EMICP, our DMICP, and our ECBP, as well as RSUs granted to our named executive officers under our 2004 Equity Incentive Plan, including the grant date fair value of the RSUs. Amounts listed in the "Estimated Future Payouts Under Non-Equity Incentive Plan Awards" column are annual targets based on the salaries of the named executive officers at the end of fiscal 2013. Actual payments for our bonus plans in fiscal 2013 are reflected in the Summary Compensation Table above. Equity awards in the table below were granted in fiscal 2013.

GRANTS OF PLAN-BASED AWARDS
For Fiscal Year Ended March 31, 2013

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Threshold ($) [1] | Target ($) | Maximum ($) [1] | All Other Stock Awards: Number of Shares of Stock or Units (#) [2] | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards ($/Sh) | Grant Date Fair Value of Stock and Option Awards ($) [3] |
|---|---|---|---|---|---|---|---|---|
| Steve Sanghi | 4/2/2012 | — | — | — | 25,295 | — | — | 802,357 |
| | 7/2/2012 | — | — | — | 28,771 | — | — | 805,013 |
| | 10/1/2012 | — | — | — | 28,693 | — | — | 789,344 |
| | 1/2/2013 | — | — | — | 27,970 | — | — | 804,977 |
| | 2/4/2013 | — | — | — | 718[4] | — | — | 21,662 |
| | — | — | 953,035[5] | — | — | — | — | — |
| | — | — | 238,259[6] | — | — | — | — | — |
| | — | — | 22,909[7] | — | — | — | — | — |
| Ganesh Moorthy | 4/2/2012 | — | — | — | 9,335 | — | — | 296,106 |
| | 7/2/2012 | — | — | — | 11,303 | — | — | 316,258 |
| | 10/1/2012 | — | — | — | 11,272 | — | — | 310,093 |
| | 1/2/2013 | — | — | — | 10,988 | — | — | 316,235 |
| | 2/4/2013 | — | — | — | 339[4] | — | — | 10,228 |
| | — | — | 137,462[5] | — | — | — | — | — |
| | — | — | 34,366[6] | — | — | — | — | — |
| | — | — | 10,834[7] | — | — | — | — | — |
| Mitchell R. Little | 4/2/2012 | — | — | — | 4,969 | — | — | 157,617 |
| | 7/2/2012 | — | — | — | 5,652 | — | — | 158,143 |
| | 10/1/2012 | — | — | — | 5,636 | — | — | 155,046 |
| | 1/2/2013 | — | — | — | 5,494 | — | — | 158,117 |
| | 2/4/2013 | — | — | — | 330[4] | — | — | 9,956 |
| | — | — | 100,903[5] | — | — | — | — | — |
| | — | — | 25,226[6] | — | — | — | — | — |
| | — | — | 10,546[7] | — | — | — | — | — |
| Stephen V. Drehobl | 4/2/2012 | — | — | — | 5,721 | — | — | 181,470 |
| | 7/2/2012 | — | — | — | 6,508 | — | — | 182,094 |
| | 10/1/2012 | — | — | — | 6,490 | — | — | 178,540 |
| | 1/2/2013 | — | — | — | 6,327 | | | |