Risk Factors Comparison 2023-05-25 to 2022-05-20 Form: 10-K

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When evaluating Microchip and its business, you should give careful consideration to the factors below, as well as the information provided elsewhere in this Form 10- K and in other filings we make with the SEC. Risk Factor Summary Risks Related to Our Business, Operations, and Industry • impact of global economic conditions on our operating results, net sales and profitability; • impact of economic conditions on the financial viability **and performance** of our licensees, customers, distributors, or suppliers; • impact of **price increases** ~~the COVID- 19 pandemic~~ , increased tariffs **, raw material availability** or other factors affecting our suppliers; • ~~dependency~~ **dependence** on wafer foundries and other contractors by our licensees and ourselves; • dependence on foreign sales, suppliers, and operations, which exposes us to foreign political and economic risks; • **dependence on orders received and shipped in the same quarter,** limited visibility to product shipments **other than those shipped through our Preferred Supply Program or LTSAs** ; • intense competition in the markets we serve, leading to pricing pressures, reduced sales or market share; • ineffective utilization of our manufacturing capacity or failure to maintain manufacturing yields; • **inability to achieve expected returns from capacity expansions; •** impact of seasonality and wide fluctuations of supply and demand in the industry; • ~~dependency~~ **dependence** on distributors; • ability to introduce new products on a timely basis; • business interruptions ~~, including natural disasters,~~ affecting our operations or that of key vendors, licensees or customers; • technology licensing business exposes us to various risks; • reliance on sales into governmental projects, and compliance with associated regulations; • risks related to grants from **, or tax arrangements with,** governments, agencies and research organizations; • **ability to realize anticipated benefits from completed or** future acquisitions or divestitures; • future impairments to goodwill or intangible assets; • our failure to maintain proper and effective internal control and remediate future control deficiencies; • customer demands to implement business practices that are more stringent than legal requirements; • ability to attract and retain qualified personnel; and • the occurrence of events for which we are self- insured, or which exceed our insurance limits. Risks Related to Cybersecurity, Privacy, Intellectual Property, and Litigation • attacks on our IT systems, interruptions in our IT systems, ~~or~~ **our products or our** improper handling of data; • risks related to compliance with privacy and data protection laws and regulations; • risks related to legal proceedings, investigations or claims; • risks related to contractual relationships with our customers; and • protecting and enforcing our intellectual property rights. Risks Related to Taxation, Laws and Regulations • impact ~~of~~ **on our reported financial results by** new accounting pronouncements or changes in existing accounting standards and practices; • **the issuance of new export controls or trade sanctions,** fines, restrictions or ~~delay~~ **delays** in our ability to export or import products, or increase costs associated with the manufacture or transfer of products; • outcome of future examinations of our income tax returns; • exposure to greater than anticipated income tax liabilities, changes in or the interpretation of tax rules and regulations including the TCJA ~~, the American Rescue Plan Act of 2021 (ARPA)~~ , or unfavorable assessments from tax audits; • impact of the legislative and policy changes implemented globally by the current or future administrations; • impact of stringent environmental, climate change, conflict- free minerals and other regulations or customer demands **; • ESG considerations** ; and • requirement to fund our foreign pension plans. Risks Related to Capitalization and Financial Markets • impact of various factors on our future trading price of our common stock; • fluctuations in the amount and timing of our common stock repurchases; • our ability to effectively manage current or future debt; • our ability to generate sufficient cash flows or obtain access to external financing; • impact of conversion of our convertible debt on the ownership interest of our existing stockholders; and • fluctuations in foreign currency exchange rates. Our operating results are impacted by global economic conditions and may fluctuate in the future due to a number of factors that could reduce our net sales and profitability. Our operating results are affected by a wide variety of factors that could reduce our net sales and profitability, many of which are beyond our control. Some of the factors that may affect our operating results include: • general economic, industry, public health or political conditions in the U. S. or internationally, including uncertain economic conditions in **U. S.,** China ~~or the ongoing uncertainty surrounding the COVID- 19 pandemic~~ and ~~its implications~~ **Europe, increases in interest rates, high inflation or instability in the banking sector** ; • disruptions in our business, our supply chain or our customers' businesses due to public health concerns (including viral outbreaks such as COVID- 19), cybersecurity incidents, terrorist activity, armed conflict, war (including Russia' s invasion of ~~the~~ Ukraine), worldwide oil prices and supply, fires, natural disasters or disruptions in the transportation system; • **the level of order cancellations or push- outs due to uncertain economic conditions or other factors; •** availability of raw materials **including rare earth minerals** , supplies and equipment due to supply chain constraints or other factors; • constrained availability from other electronic suppliers impacting our customers' ability to ship their products, which in turn may adversely impact our sales to those customers; • our ability to continue to increase our factory capacity **as needed** to respond to changes in customer demand; • our ability to secure sufficient wafer foundry, assembly and testing capacity; • increased costs and availability of raw materials, supplies, equipment, utilities, labor, and / or subcontracted services for wafers, assembly and test; • changes in demand or market acceptance of our products and products of our customers, and market fluctuations in the industries into which such products are sold; • ~~the level of order cancellations or push- outs due to the impact of the COVID- 19 pandemic or other factors; •~~ trade restrictions and increase in tariffs, including those on business in China, or focused on specific companies; • the mix of inventory we hold and our ability to satisfy orders from our inventory; • changes in utilization of our manufacturing capacity and fluctuations in manufacturing yields; • changes or fluctuations in customer order patterns and seasonality; • changes in tax regulations in countries in which we do business; • new accounting pronouncements or changes in existing accounting standards and practices; • levels of inventories held by our customers **and the customers of our distributors** ; • risk of excess and obsolete inventories;

• competitive developments including pricing pressures; • unauthorized copying of our products resulting in pricing pressure and loss of sales; • our ability to successfully transition to more advanced process technologies to reduce manufacturing costs; • the level of orders that are received and can be shipped in a quarter, including the impact of product lead times; • the level of sell-through of our products through distribution **or resale** ; • our ability to continue to realize the expected benefits of our past or future acquisitions; • fluctuations in our mix of product sales; • announcements of other significant acquisitions by us or our competitors; • costs and outcomes of any current or future tax audits or any litigation, investigation or claims involving intellectual property, our Microsemi acquisition, customers or other issues ~~; • rising interest rates or inflation~~ ; and • property damage or other losses, whether or not covered by insurance. Period- to- period comparisons of our operating results are not necessarily meaningful and you should not rely upon any such comparisons as indications of our future performance. In future periods, our operating results may fall below our public guidance or the expectations of public market analysts and investors, which would likely have a negative effect on the price of our common stock. Uncertain global economic and public health conditions, such as the COVID- 19 pandemic, have caused and may in the future cause our operating results to fluctuate significantly and make comparisons between periods less meaningful. Our operating results may be adversely impacted **by** ~~if economic conditions impact~~ the financial viability **and performance** of our licensees, customers, distributors, or suppliers. We regularly review the financial **viability and** performance of our licensees, customers, distributors and suppliers. Any downturn in global or regional economic conditions, as a result of **rising interest rates, high inflation, instability in the banking sector, the enactment of broad sanctions by the U. S. or other countries against Russia or China,** the COVID- 19 pandemic ~~, the enactment of broad sanctions by the U. S.~~ or other **factors** ~~countries against Russia, or risks of rising interest rates or inflation~~ , may adversely impact their financial viability. The financial failure of a large licensee, customer **, reseller** or distributor, an important supplier, or a group thereof, could have an adverse impact on our operating results and could result in our inability to collect our accounts receivable balances, higher allowances for credit losses, and higher operating costs as a percentage of net sales. **Also, these parties may not comply with their contractual commitments, or may interpret them differently than we do, which could lead to termination of their performance with little or no notice to us, which could limit our ability to mitigate our exposure. If one of our counterparties becomes insolvent, files for bankruptcy, has business leverage, or stronger contractual terms, then our ability to recover any losses suffered as a result of that counterparty' s cessation of performance may be limited by their liquidity, the applicable laws, or their willingness to negotiate a resolution. In the event of such default or cessation of performance, we could incur significant losses, which could have a material adverse effect on our business, results of operations, or financial condition. We have various arrangements with financial institutions for our cash deposits, and other banking activities, that subject us to risk if such institutions were to experience financial or regulatory difficulties. As a result, we may experience losses on our holdings of cash and cash equivalents due to failures of financial institutions or other related parties.** We may lose sales if suppliers of raw materials, components or equipment fail to meet our or our customers' needs, increase prices ~~or~~ **,** are impacted by increases in tariffs **, or such raw materials, components or equipment become restricted or unavailable** . Our manufacturing operations require raw and processed materials and equipment that must meet exacting standards. We generally have multiple sources for these supplies, but there may be a limited number of suppliers capable of meeting our standards. We have experienced supply shortages from time to time in the past, and on occasion our suppliers have told us they need more time to fill our orders, that they cannot fill certain orders, that they will no longer support certain equipment with updates or parts, or that they are increasing prices. In particular, in fiscal **2023 and in fiscal** 2022, we experienced increased prices at certain suppliers ~~, and longer lead times~~ for **certain** ~~some assembly raw~~ materials required for production purposes. Such conditions **may** ~~are expected to~~ continue. An interruption of any materials or equipment sources, or the lack of supplier support for a particular piece of equipment, could harm our business. The supplies necessary for our business could become more difficult to obtain as worldwide use of semiconductors increases, or due to supply chain disruptions **, trade restrictions** or political instability. Additionally, consolidation in our supply chain due to mergers and acquisitions may reduce the number of suppliers or change our relationships with them. Also, the reduced availability of necessary labor, **the application of sanctions, trade restrictions or tariffs by the U. S. or other countries or** the impact of the COVID- 19 pandemic, ~~or the application of sanctions, trade restrictions or tariffs by the U. S. or other countries~~ may adversely impact the industry supply chain. For example, in 2019, the U. S. government increased tariffs on U. S. imports with China as their country of origin. Likewise, the China government increased tariffs on China imports with U. S. as their country of origin. We have taken steps to attempt to mitigate the costs of these tariffs on our business. Although these increases in tariffs did not significantly increase the operating costs of our business, they did, however, adversely impact demand for our products during fiscal 2020 and fiscal 2019. The additional tariffs imposed on components or equipment that we or our suppliers source from China will increase our costs and could have an adverse impact on our operating results in future periods. We may also incur increases in manufacturing costs in mitigating the impact of tariffs on our operations. This could also impair sourcing flexibility. Our customers may also be adversely affected by these same issues. The labor, supplies and equipment necessary for their businesses could become more difficult to obtain for various reasons not limited to business interruptions of suppliers, reduced availability of labor, consolidation in their supply chain, **or sanctions, trade restrictions or tariffs or** the impact of the COVID- 19 pandemic ~~, or sanctions, trade restrictions or tariffs~~ that impair sourcing flexibility or increase costs. If our customers are not able to produce their products, then their need for our products will decrease. Such interruptions of our customers' businesses could harm our business. We do not **, nor have we historically,** ~~purchase~~ **purchased** significant amounts of equipment from Russia, Belarus, or ~~the~~ Ukraine. However, the semiconductor industry, and purchasers of semiconductors, use raw materials that are sourced from these regions, such as neon, palladium **, cesium, rubidium,** and nickel. If we, or our direct or indirect customers, are unable to obtain the requisite raw materials or components needed to manufacture products, our ability to manufacture products, or demand for our products, may be adversely impacted. This could have a material adverse effect on our business, results of operations or financial condition.

While there has been an adverse impact on the world' s palladium ~~and~~ **,** neon **, cesium, and rubidium** supply chains, at this time, our ~~palladium and neon~~ supply chains have been able to meet our needs. While sales of our products into the regions, and to customers that sell into these regions, have been negatively impacted by the Russian invasion of ~~the~~ Ukraine, at this time, we have not experienced a material impact on our business, results of operations or financial conditions **. Additionally, certain materials are primarily available in a limited number of countries, including rare earth elements, minerals, and metals. Trade disputes, geopolitical tensions, economic circumstances, political conditions, or public health issues, such as COVID- 19, may limit our ability to obtain materials or equipment. Although rare earth and other materials are generally available from multiple suppliers, China is the predominant producer of certain of these materials. If China were to restrict or stop exporting these materials, our suppliers' ability to obtain such supply may be constrained and we may be unable to obtain sufficient quantities, or obtain supply in a timely manner, or at a commercially reasonable cost. Constrained supply of rare earth elements, minerals, and metals may restrict our ability to manufacture certain of our products and make it difficult or impossible to compete with other semiconductor memory manufacturers who are able to obtain sufficient quantities of these materials from China or other countries** . We are dependent on wafer foundries and other contractors, as are our SuperFlash and other licensees. We rely on outside wafer foundries for a significant portion of our wafer fabrication needs. Specifically, during fiscal **2023 and fiscal** 2022 ~~and fiscal 2021~~ , approximately **63 % and** 60 ~~% and 61~~ %, respectively, of our net sales came from products that were produced at outside wafer foundries. We also use several contractors ~~located primarily in Asia~~ for a portion of the assembly and testing of our products. Specifically, during fiscal ~~2022~~ **2023** , approximately 41 % of our assembly requirements and ~~36~~ **33** % of our test requirements were performed by third- party contractors compared to approximately ~~47~~ **41** % of our assembly requirements and ~~43~~ **36** % of our test requirements during fiscal ~~2021~~ **2022** . Due to increased demand for our products, we **took** ~~have taken~~ actions in ~~recent quarters~~ **fiscal 2023 and fiscal 2022** to increase our capacity allocation from our wafer fabrication, assembly and test subcontractors. However, we expect foundry capacity ~~to~~ **may** continue to be limited ~~due to strong demand~~ for ~~wafers across the industry~~ **certain process technology nodes** and there can be no assurance that we will be able to secure the necessary allocation of capacity from our wafer foundries and other contractors, ~~further~~ **that any such** additional capacity ~~with~~ **will have** the ability to manufacture the process technologies that we need, or that such capacity will be available on acceptable terms. **Although** ~~As our manufacturing subcontractors move to more advanced process technologies over time,~~ we ~~may find that they do not invest in some of the trailing edge process technologies on which a large portion of our products~~ are **continuing to expand** ~~manufactured. If this occurs, it may limit the amounts of net sales that we can achieve or~~ **our internal wafer fabrication,** ~~require us to make significant investments to be able to manufacture these products in our own facilities or at other foundries and~~ assembly and ~~testing contractors. We~~ **test capacity, we** expect that our reliance on third- party contractors may increase over time as our business grows, and any inability to secure necessary external capacity could adversely affect our operating results. **As our manufacturing subcontractors move to more advanced process technologies over time, we may find that they do not invest in some of the trailing edge process technologies on which a large portion of our products are manufactured. If this occurs, it may limit the amounts of net sales that we can achieve or require us to make significant investments to be able to manufacture these products in our own existing facilities, at new facilities or at other foundries and assembly and testing contractors. In August 2022, the U. S. government passed the CHIPS Act to provide billions of dollars of cash incentives and a new investment tax credit to increase domestic manufacturing capacity in our industry. We expect to receive the cash benefit associated with the investment tax credit for qualifying capital expenditures in future periods and expect to apply for other incentives provided by the legislation; however, there can be no assurance that we will receive any such other incentives, what the amount and timing of any incentive we receive will be, as to which other companies will receive incentives and whether the legislation will have a positive or negative impact on our competitive position.** Our use of third parties reduces our control over the subcontracted portions of our business. Our future operating results could suffer if a significant contractor were to experience production difficulties, insufficient capacity, decreased manufacturing, reduced availability of labor, assembly and test yields, or increased costs due to disruptions from **political upheaval, infrastructure disruption or** the COVID- 19 pandemic ~~, political upheaval or infrastructure disruption~~ . Additionally, our future operating results could suffer if our wafer foundries and other contractors increase the prices of the products and services that they provide to us ~~. Some of our subcontractors in China experienced production difficulties due to COVID- 19 related disruptions in March 2022, but this did not have a significant impact on our operating results~~ . If third parties do not timely deliver products or services in accordance with our quality standards, we may be unable to qualify alternate manufacturing sources in a timely manner or on favorable terms, or at all. Additionally, these subcontractors could abandon processes that we need, or fail to adopt technologies that we desire to control costs. In such event, we could experience an interruption in production, an increase in manufacturing costs or a decline in product reliability, and our business and operating results could be adversely affected. Further, use of subcontractors increases the risks of misappropriation of our intellectual property. Certain of our SuperFlash and other technology licensees rely on wafer foundries. If our licensees experienced disruption in supply at such foundries, this would reduce the revenue from our technology licensing business and would harm our operating results. We are highly dependent on foreign sales, suppliers, and operations, which exposes us to foreign political and economic risks. Sales to foreign customers account for a substantial portion of our net sales. During fiscal ~~2022~~ **2023** , approximately 78 % of our net sales were made to foreign customers, including ~~22~~ **21** % in China and ~~15~~ **14** % in Taiwan. During fiscal ~~2021~~ **2022** , approximately ~~77~~ **78** % of our net sales were made to foreign customers, including 22 % in China and ~~16~~ **15** % in Taiwan. A strong position in the Chinese market is a key component of our global growth strategy. Although our sales in the Chinese market ~~have been~~ **were very** strong in ~~recent quarters~~ **calendar 2021** , competition in China is intense, and China' s economic growth ~~has been projected to slow~~ **slowed** in calendar 2022 **and into calendar 2023** . In the past, economic weakness in the Chinese market adversely impacted our sales volumes in China. As discussed above, the trade relationship between the U. S. and China remains challenging, economic conditions in China remain uncertain, and we are unable to predict whether such uncertainty will continue or worsen in future periods. Additionally, **over the last several years,** the impact of **unpredictable** COVID- 19 related lockdowns ~~in~~ **and** the ~~first quarter~~ **adverse impact** of ~~calendar 2022~~ **the rapid transmission of COVID- 19 when lock- downs in China were lifted** has adversely impacted Chinese customers and the supply chain **. Further, increasing investment in the semiconductor industry by the Chinese government and various state- owned of affiliated entities are intended to advance China' s stated national policy objectives. The Chinese government may restrict us from participating in the China market, or may prevent us from competing effectively with Chinese companies** . Weakening of foreign markets could result in lower demand for our products, which could have a material adverse effect on our business, results of operations or financial conditions. We purchase a substantial portion of our raw materials and equipment from foreign suppliers **. Please see the risks related to access to raw materials, components, or equipment on page 14** . In addition, we own product assembly and testing facilities, and finished goods warehouses near Bangkok, Thailand, which has experienced periods of political instability and severe flooding in the past. There can be no assurance that any future flooding or political instability in Thailand would not have a material adverse impact on our operations. We have a test facility in Calamba, Philippines. We use foundries and other foreign contractors for a significant portion of our assembly and testing and wafer fabrication requirements. ~~We do not have significant sales or operations in Russia, Belarus, or the Ukraine, and we do not purchase significant amounts of equipment from these regions. However, the semiconductor industry, and purchasers of semiconductors, use raw materials that are sourced from these regions, such as neon, palladium and nickel. If we, or our direct or indirect customers, are unable to obtain the requisite raw materials or components needed to manufacture products, our ability to manufacture products, or demand for our products, may be adversely impacted. This could have a material adverse effect on our business, results of operations or financial condition. While there has been an adverse impact on the world' s palladium and neon supply chains due to the Russia Ukraine conflict, at this time, our palladium and neon supply chains have been able to meet our needs. While sales of our products into the regions impacted by the Russia Ukraine conflict, and to customers that sell into these regions, have been negatively impacted by the Russian invasion of the Ukraine, at this time, we have not experienced a material impact on our business, results of operations or financial condition.~~ Our reliance on foreign operations, foreign suppliers, maintenance of substantially all of our finished goods inventory at foreign locations and significant foreign sales exposes us to foreign political and economic risks, including, but not limited to: • **economic uncertainty in the worldwide markets served by us; •** political **instability** , **including changes in relations between China and Taiwan which could disrupt the operations of our Taiwan- based third- party wafer foundries, and subcontractors; •** social and economic instability due to ~~the COVID- 19 pandemic~~ **public health concerns, wars,** or other factors; • trade restrictions and changes in tariffs; • supply chain disruptions or delays; • potentially adverse tax consequences; • ~~economic uncertainty in the worldwide markets served by us; •~~ import and export license requirements and restrictions; • changes in laws related to taxes, **trade,** environmental, health and safety, technical standards and consumer protection **; • restrictions on the transfer of funds, including currency controls in China, which could negatively affect the amount and timing of certain customer payments, and as a results our cash flows** ; • currency fluctuations and foreign exchange regulations; • difficulties in staffing and managing international operations; • employment regulations; • disruptions due to cybersecurity incidents; • disruptions in international transport or delivery; • public health conditions (including viral outbreaks such as COVID- 19); and • difficulties in collecting receivables and longer payment cycles. If any of these risks occur or are worse than we anticipate, our sales could decrease and our operating results could suffer, we could face an increase in the cost of components, production delays, business interruptions, delays in obtaining export licenses, **or denials of such licenses,** tariffs and other restrictions, longer payment cycles, increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on our business. Further changes in trade policy, tariffs, additional taxes, or restrictions on supplies, equipment, and raw materials including rare earth minerals, may limit our ability to produce products, increase our selling and / or manufacturing costs, decrease margins, reduce the competitiveness of our products, or inhibit our ability to sell products or purchase necessary equipment and supplies, which could have a material adverse effect on our business, results of operations, or financial conditions. We depend on orders that are received and shipped in the same quarter and have limited visibility to product shipments other than orders placed under our Preferred Supply Program **and under our LTSAs** . Our net sales in any given quarter depend upon a combination of shipments from backlog, and orders that are both received and shipped in the same quarter, which we call turns orders. We measure turns orders at the beginning of a quarter based on the orders needed to meet the shipment targets that we set entering the quarter. Historically, our ability to respond quickly to customer orders has been part of our competitive strategy, resulting in customers placing orders with relatively short delivery schedules. Shorter lead times generally mean that turns orders as a percentage of our business are relatively high in any particular quarter and reduce our visibility on future shipments. Turns orders correlate to overall semiconductor industry conditions and product lead times. Although our backlog has been ~~very~~ strong in recent periods due to favorable industry conditions and the impact of our Preferred Supply Program **and our LTSAs** , **in the future we expect** turns orders **to** remain important to our ability to meet our business objectives. Because turns orders can be difficult to predict, especially in times of economic volatility where customers may change order levels within the quarter, varying levels of turns orders make it more difficult to forecast net sales. The level of turns orders may also decrease in **future** periods **in situations** where customers are holding excess inventory of our products. Our customers may have increased their order levels in **recent** previous periods to help ensure they have sufficient inventory of our products to meet their needs, or they may have been unable to sell their products at their forecasted levels **which would reduce our level of turns orders** . As a significant portion of our products are manufactured at foundries, foundry lead times may affect our ability to satisfy certain turns orders. If we do not achieve a sufficient level of turns orders in a particular quarter relative to our revenue targets or effectively manage our production based on changes in order forecasts, our revenue and operating results will likely suffer. In February 2021, we announced our

Preferred Supply Program **and, starting in the first quarter of calendar 2022, we began entering into LTSAs,** which ~~offers~~ **offer** our customers the ability to receive prioritized capacity. To participate in the **Preferred Supply** ~~program~~ **Program** , customers ~~have~~ **are expected** to place 12 months of orders, which cannot be cancelled or rescheduled **by the customer** except in the event of price increases. The capacity priority **under the Preferred Supply Program** began for shipments in July 2021. The **Preferred Supply** ~~program~~ **Program** ~~is~~ **and the LTSAs are** not a guarantee of supply; however, ~~it~~ **they** will provide the highest priority for those orders which are under ~~this~~ **these** ~~program~~ **programs** , and the capacity priority will be on a first-come, first- served basis until the available capacity is booked. A significant portion of our capacity is booked under **these** ~~this new program~~ **programs** . We believe ~~this~~ **these** ~~program~~ **programs** will enable us to be in a stronger position to make capacity and raw material commitments to our suppliers, buy capital equipment with confidence, hire employees and ramp up manufacturing and manufacture products more efficiently. Since ~~this is a~~ **these are relatively** new ~~program~~ **programs** , there can be no assurance that the ~~program~~ **programs** will be successful or that ~~it~~ **they** will **provide the** ~~benefit~~ **benefits we expect to** our business. ~~In~~ **For example, in recent periods, we have accommodated requests by customers to push- out certain orders to help them manage inventory levels and, in some cases, to help other customers that are experiencing supply shortages. However, in** the event that customers under ~~this~~ **these** ~~program~~ **programs** attempt to cancel or reschedule orders, **or refuse shipment,** we may have to take legal or other action to enforce the terms of the ~~program~~ **programs** , and any such actions could result in damage to our customer relationships or cause us to incur significant costs. **We may be unable to recover damages from customers that default under these programs.** Additionally, as orders under ~~this~~ **these** ~~program~~ **programs** cannot be cancelled or returned except in the event of price increases, ~~this~~ **these programs** may result in customers holding excess inventory of our products and thus decrease their need to place new orders **, including turns orders,** in later periods. Intense competition in the markets we serve may lead to pricing pressures, reduced sales or reduced market share. The semiconductor industry is intensely competitive and faces price erosion and rapid technological change. We compete with major domestic and international semiconductor companies, many of which have greater market recognition and substantially greater financial, technical, marketing, distribution and other resources than we do **. In addition, some governments, such as China, may provide, or have provided and may continue to provide, significant assistance financial or otherwise, to some of our competitors, or to new entrants, and may intervene in support of national industries and / or competitors** . The semiconductor industry has experienced significant consolidation in recent years which has resulted in several of our competitors becoming much larger in terms of revenue, product offerings and scale. We may be unable to compete successfully in the future, which could harm our business. Our ability to compete successfully depends on a number of factors, including, but not limited to: • ~~the relative impact of the COVID- 19 pandemic on us relative to our competitors; •~~ changes in demand in the markets that we serve and the overall rate of growth or contraction of such markets, including but not limited to the automotive, personal computing and consumer electronics markets; • our ability to obtain adequate foundry and assembly and test capacity and supplies at acceptable prices; • our ability to ramp production and increase capacity **as needed** , at our wafer fabrication and assembly and test facilities; • the quality, performance, reliability, features, ease of use, pricing and diversity of our products; • our success in designing and manufacturing new products including those implementing new technologies; • the rate at which customers incorporate our products into their applications and the success of such applications; • the rate at which the markets that we serve redesign and change their own products; • product introductions by our competitors; • the number, nature and success of our competitors in a given market; • our ability to protect our products and processes by effective utilization of intellectual property rights; • our ability to address the needs of our customers; and • general market and economic conditions. Historically, average selling prices in the semiconductor industry decrease over the life of a product. The average selling prices of our **mixed- signal** microcontroller, FPGA products, and proprietary products in our analog product line have remained relatively constant over time, while average selling prices of our memory and non- proprietary products in our analog product line have declined over time. The overall average selling price of our products is affected by these trends; however, variations in our product and geographic mix of sales can cause wider fluctuations in our overall average selling price in any given period. We have experienced, and may experience in the future, modest pricing declines in certain of our ~~more mature~~ proprietary product lines, primarily due to competitive conditions ~~. At this time, we are not experiencing these types of pricing declines due to favorable industry conditions and demand~~ . In the past, we have moderated average selling price declines in many of our proprietary product lines by introducing new products with more features and higher prices. However, we may not be able to do so in the future. We have experienced in the past, and may experience in the future, competitive pricing pressures ~~in~~ **on** our memory and non- proprietary products in our analog product line. ~~At this time, we are not experiencing these types of pricing declines due to favorable industry conditions and demand.~~ In **fiscal 2023 and** fiscal 2022, we experienced cost increases which we were able to pass on to our customers. However, in the future, we may be unable to maintain average selling prices due to increased pricing pressure, which could adversely impact our operating results **. We, and our competitors, seek to expand production capacity, increase wafer output, improve yields, and reduce die size, which could result in significant increases in worldwide supply and downward pressure on prices. Increases in worldwide supply of semiconductor products, if not accompanied by commensurate increases in demand, could lead to declines in average selling prices for our products, and could materially adversely affect our business, results of operations, or financial condition** . Our operating results will suffer if we ineffectively utilize our manufacturing capacity or fail to maintain manufacturing yields. Integrated circuits manufacturing processes are complex and sensitive to many factors, including contaminants in the manufacturing environment or materials used, the performance of our personnel and equipment, and other quality issues. As is typical in the industry, we have from time to time experienced lower than anticipated manufacturing yields. Our operating results will suffer if we are unable to maintain yields at or above approximately the current levels. This could include delays in the recognition of revenue, loss of revenue, and penalties for failure to meet shipment deadlines. Our operating results are adversely affected when we operate below normal capacity. In fiscal **2023 and in fiscal** 2022, we operated at **or** above normal capacity levels ~~and we~~ **. We may not be able to achieve** ~~expect~~ **expected** ~~this~~ **returns from our planned capacity expansions. We have announced our intent** to **expand our production capacity in the United States. In particular, we have** ~~continue~~ **continued** ~~if~~ **our multi- year $ 800 million capacity expansion plan at Fab 4 in Gresham, Oregon and we plan to invest $ 880 million to expand our silicon carbide (SiC) and silicon production capacity, including the production of 8- inch wafers at Fab 5 in Colorado Springs, Colorado. These expansion projects subject us to a number of risks, including the following: • availability of necessary funding, which may include external sources; • ability to realize expected grants, investment tax credits, and** ~~the~~ **other** ~~current supply constraints relative~~ **government incentives, including through the CHIPS Act and foreign, state, and local grants; • increases** to **our cost structure until new production is ramped to adequate scale; • sufficient customer** demand **to utilize our increased** ~~continue. In fiscal 2021, we operated at below normal~~ capacity ~~levels resulting~~ **; • ability to timely ramp production** in ~~unabsorbed~~ **a cost- effective manner; • potential changes in laws or provisions of grants, investment tax credits, and other government incentives; • availability of labor, services, equipment, and construction materials; • ability to complete construction as scheduled, and within budget; and • availability of the necessary workforce to support the expanded** capacity ~~charges of $ 29~~ . ~~6 million~~ **Investments in capital expenditures for our capacity expansion projects may not generate expected returns, or cash flows. Significant judgement is required to determine which capital investments will result in optimal returns, and we could invest in projects that are ultimately less profitable than those projects we do not select. Delays in completion and ramping of expanded production facilities, or failure to optimize our investment choices, could significantly impact our ability to realize expected returns on our capital expenditures. Further, adverse impacts to our construction projects could negatively impact our ability to reduce costs or meet customer demand. Any of the above factors could have a material adverse effect on our business, results of operations, or financial condition** . Our operating results are impacted by seasonality and wide fluctuations of supply and demand in the industry. The semiconductor industry is characterized by seasonality and wide fluctuations of supply and demand. Historically, since a significant portion of our revenue is from **international sales and** consumer markets ~~and international sales~~ , our business generates stronger revenues in the first half and comparatively weaker revenues in the second half of our fiscal year. However, broad fluctuations in our business, changes in semiconductor industry and global economic conditions (including the impact of ~~continued~~ strong demand in the industry, the COVID- 19 pandemic or trade tensions) and our acquisition activity (including our acquisition of Microsemi) have had and can have a more significant impact on our results than seasonality. In periods when broad fluctuations, changes in business conditions or acquisitions occur, it is difficult to assess the impact of seasonality on our business. The semiconductor industry has had significant economic downturns, characterized by diminished product demand and production over- capacity. We have sought to reduce our exposure to this industry cyclicality by selling proprietary products, that cannot be quickly replaced, to a geographically diverse customer base across a broad range of market segments. However, we have experienced substantial period- to- period fluctuations in operating results and expect, in the future, to experience period- to- period fluctuations in operating results due to general industry or economic conditions. **In this regard, in recent months many of our customers felt the effects of slowing economic activity and increasing business uncertainty and customer requests to push- out or cancel backlog increased in the March 2023 quarter. Consistent with the slowing macroeconomic environment, and the growth in our inventory, we have paused most of our factory expansion actions, reduced our planned capital investments for fiscal 2024, and taken steps to lower our inventory in the coming quarters. We are unable to predict the timing or impact of any such slowdown on our business.** Our business is dependent on distributors to service our end customers. Sales to distributors accounted for approximately **47 % of our net sales in fiscal 2023 and approximately** 48 % of our net sales in fiscal 2022 ~~and approximately 50 % of our net sales in fiscal 2021~~ . With the exception of orders placed under our Preferred Supply Program **and LTSAs** , we do not have long- term purchase agreements with our distributors, and we and our distributors may each terminate our relationship with little or no advance notice. Future adverse conditions in the U. S. or global economies and labor markets ~~(including the impact of the COVID- 19 pandemic)~~ or credit markets could materially impact distributor operations. Any deterioration in the financial condition, or disruption in the operations of our distributors, could adversely impact the flow of our products to our end customers and adversely impact our results of operation. In addition, during an industry or economic downturn, there may be an oversupply and decrease in demand for our products, which could reduce our net sales in a given period ~~and~~ **, increase order push- outs,** increase inventory returns **, and cause us to carry elevated levels of inventory. For example, in recent periods, we have accommodated requests by customers to push- out certain orders to help them manage inventory levels and, in some cases, to help other customers that are experiencing supply shortages. As a result of the foregoing, we may incur charges in connection with obsolete or excess inventory, or we may not fully recover our costs, which would reduce our gross margins** . Violations of the Foreign Corrupt Practices Act **, export controls and sanction laws** , or similar laws, by our distributors could have a material adverse impact on our business. Our success depends on our ability to introduce new products on a timely basis. Our future operating results depend on our ability to develop and timely introduce new products that compete effectively on the basis of price and performance and which address customer requirements. The success of our new product introductions depends on various factors, including, but not limited to: • effective new product selection; • timely completion and introduction of new product designs; • availability of skilled employees; • procurement of licenses for intellectual property rights from third parties under commercially reasonable terms **, including those that may be needed to offer interoperability between our products and third- party products; • implementation of appropriate technical standards developed by standard setting organizations** ; • timely filing and protection of intellectual property rights for new product designs; • availability of development and support tools and collateral literature that make complex new products easy for engineers to understand and use; and • market acceptance of our customers' end products. Because our products are complex, we have experienced delays from time to time in completing new product development. New products may not receive or maintain substantial market acceptance. We may be unable to timely design, develop and introduce competitive products, which could adversely impact our future operating results. Our success also depends upon our ability to develop and implement new design and process technologies. Semiconductor design and process technologies are subject to rapid technological change and require significant R & D expenditures. We and others in the industry have, from time to time, experienced difficulties in transitioning to advanced process technologies and have suffered reduced manufacturing yields or delays in product deliveries. Our future operating results could be adversely affected if any transition to future process technologies is substantially delayed or inefficiently implemented. Business interruptions to our operations or those of our key vendors, licensees or customers could harm our business. Operations at any of our facilities, at the facilities of any of our wafer fabrication or assembly and test subcontractors, or at any of our significant vendors, licensees or customers may be disrupted due to public health concerns (including outbreaks such as COVID- 19), work stoppages or reduction in available labor, power loss, insufficient water, cyber attacks, computer network compromises, incidents of terrorism or security risk, political instability, **governmental actions,** telecommunications, transportation or other infrastructure failure, radioactive contamination, or fire, earthquake, floods, droughts, volcanic eruptions or other natural disasters. We have taken steps to mitigate the impact of some of these events should they occur; however, we cannot be certain that we will avoid a significant impact on our business in the event of a business interruption. For example, in **the first three months of fiscal 2023 and in** fiscal 2022, COVID- 19 related restrictions adversely impacted our manufacturing operations in the U. S., Philippines and Thailand along with our subcontractors' manufacturing operations in Malaysia, Taiwan and China. Similar challenges arose for our logistics service providers, which adversely impacted their ability to ship product to our customers. The pandemic could adversely impact our business in future periods if the impact of COVID- 19 **again** becomes **severe in one or** more ~~severe~~ **of our key markets such as China or in areas where our suppliers or manufacturing operations are located** . In the future, local governments could require us to reduce production, cease operations at any of our facilities, or implement mandatory vaccine requirements, and we could experience constraints in fulfilling customer orders. Additionally, operations at our customers and licensees may be disrupted for a number of reasons. In April and May 2020, we received a greater number of order cancellations and requests by our customers to reschedule deliveries to future dates. Some customers requested order cancellations within our firm order window and claimed applicability of force majeure clauses **due to the impact of COVID- 19** . Likewise, if our licensees are unable to manufacture and ship products incorporating our technology, or if there is a decrease in product demand due to a business disruption, our royalty revenue may decline. Also, Thailand has experienced periods of severe flooding in recent years. While our facilities in Thailand have continued to operate normally, there can be no assurance that future flooding in Thailand would not have a material adverse impact on our operations. If operations at any of our facilities, or our subcontractors' facilities are interrupted, we may not be able to timely shift production to other facilities, and we may need to spend significant amounts to repair or replace our facilities and equipment. Business interruptions would likely cause delays in shipments of products to our customers, and alternate sources for production may be unavailable on acceptable terms. This could result in reduced revenues, cancellation of orders, or loss of customers. Although we maintain business interruption insurance, such insurance will likely not compensate us for any losses or damages, and business interruptions could significantly harm our business. Our technology licensing business exposes us to various risks. Our technology licensing business is based on our SuperFlash and other technologies. The success of our licensing business depends on the continued market acceptance of these technologies and on our ability to further develop such technologies ~~and~~ **,** to introduce new technologies **, and to enforce our license terms** . To be successful, any such technology must be able to be repeatably implemented by licensees, provide satisfactory yield rates, address licensee and customer requirements, and perform competitively. The success of our technology licensing business depends on various other factors, including, but not limited to: • proper identification of licensee requirements; • timely development and introduction of new or enhanced technology; • our ability to protect and enforce our intellectual property rights for our licensed technology **, and enforce the terms of our licenses** ; • our ability to limit our liability and indemnification obligations to licensees; • availability of development and support services to assist licensees in their design and manufacture of products; • availability of foundry licensees with sufficient capacity to support OEM production; and Because our licensed technologies are complex, there may be delays from time to time in developing and enhancing such technologies. There can be no assurance that our existing or any enhanced or new technology will achieve or maintain substantial market acceptance. Our licensees may experience disruptions in production or reduced production levels which would adversely affect the revenue that we receive. Our technology license agreements generally include a clause that indemnifies the licensee against liability and damages (including legal defense costs) arising from certain intellectual property matters. We could be exposed to substantial liability for claims or damages related to intellectual property matters or indemnification claims. ~~Any~~ **We have a program to audit the royalty payments made by our licensees to help ensure that the payments are in accordance with the terms of the applicable license agreements. From time to time, we or our licensees have contested the amount of royalty payments and related** ~~claim~~ **claims** could result in significant legal fees and require significant attention from our management. These issues may adversely impact the success of our licensing business and adversely affect our future operating results. Reliance on sales into governmental projects **, and compliance with associated regulations,** could have a material adverse effect on our results of operations. ~~A~~ **As a result of our Microsemi acquisition, in May 2018, a** significant portion of ~~the~~ **our** sales ~~of Microsemi, which we acquired in May 2018,~~ are from or are derived from government agencies or customers who sell to U. S. government agencies. Such sales are subject to uncertainties regarding governmental spending levels, spending priorities, regulatory and policy changes. Future sales into U. S. government projects are subject to uncertain government appropriations and national defense policies and priorities, including the budgetary process, changes in the timing and spending priorities, the impact of any past or future government shutdowns, contract terminations or renegotiations, future sequestrations, changes in regulations that we must comply with to be eligible to accept new contracts, such as the Cybersecurity Maturity Model Certification requirements and mandatory vaccine requirements, or the impact of the COVID- 19 pandemic. For example, in fiscal 2022, as a result of the COVID- 19 pandemic, we experienced suspensions and stop work orders for some of our subcontracts **. Additionally, the amendment to the U. S. National Defense Authorization Act (NDAA) was signed into law on December 23, 2022, and its provisions go into effect in December 2027. The NDAA amendment prohibits U. S. government agencies from buying semiconductor products or services manufactured by SMIC, YMTC, CXMT and any other entity that the U. S. government determines is owned, controlled, or connected to the government of a foreign country of concern (Prohibited Companies). Some of our products are manufactured at SMIC, and some of our suppliers buy products manufactured at YMTC. If we are unable to alternately source or manufacture certain of our products, or discontinue use of products from Prohibited Companies, if any, when the NDAA amendment goes into effect in December 2027, this could adversely impact our sales to U. S. government agencies and their prime customers**. Although such actions have not yet had a material adverse impact on our business, there can be no assurance as to the future costs or implications of such actions. Sales into government projects are also subject to uncertainties related to monetary, regulatory, tax and trade policies implemented by current or future administrations or by the U. S. Congress. In the past, Microsemi ~~has~~ experienced delays and reductions in appropriations on programs that included its products. For example, in 2018 there were two federal government shutdowns. Further delays, reductions in or terminations of government contracts or subcontracts, including those caused by any past or future shutdown of the U. S. federal government, could materially and adversely affect our operating results. If the U. S. government fails to complete its annual budget process **,** ~~or to~~ provide for a continuing resolution to fund government operations **or increase the federal debt limit**, another federal government shutdown may occur, during which we may experience further delays, reductions in or terminations of government contracts or subcontracts, which could materially and adversely affect our operating results. While we generally function as a subcontractor in these type of transactions, further changes in U. S. government procurement regulations and practices, particularly surrounding initiatives to reduce costs or increase compliance obligations (such as the Cybersecurity Maturity Model Certification and mandatory vaccine requirements), may adversely impact the contracting environment, our ability to hire and retain employees, and our operating results. The U. S. government and its contractors may terminate their contracts with us at any time. For example, in 2014, the U. S. government terminated a $ 75 million contract with Microsemi. Uncertainty in government spending and termination of contracts for government related projects could have a material adverse impact on the revenue from our ~~Microsemi acquisition~~ **government related business**. Our contracts with U. S. governmental agencies or prime customers require us to comply with the contract terms, and governmental regulations, particularly for our facilities, systems and personnel that service such customers. To be awarded new contracts, we may be required to meet certain levels of the Cybersecurity Maturity Model Certification that we may not meet, or choose to meet. Complying with these regulations, including audit requirements, requires that we devote significant resources to such matters in terms of training, personnel, information technology and facilities. Any failure to comply with these requirements may result in fines and penalties, or loss of current or future business, that may materially and adversely affect our operating results. From time to time we receive grants from governments, agencies and research organizations **, or enter into tax arrangements**. If we are unable to comply with the terms of those grants **or arrangements**, we may not be able to receive or recognize ~~grant~~ benefits or we may be required to repay ~~grant~~ benefits ~~and~~ **,** recognize related charges **, or could be required to implement certain limitations on our business**, which would adversely affect our operating results and financial position. From time to time, we **have received, and may in the future** receive **,** economic incentive grants **, tax benefits,** and allowances from ~~European~~ **national, state and local** governments, agencies and research organizations targeted at increasing employment **, production or investment** at specific locations. ~~The~~ **Tax arrangements and** subsidy grant agreements typically contain economic incentive, headcount, capital and research and development expenditures and other covenants that must be met to receive and retain ~~grant~~ benefits, and these programs can be subjected to periodic review by the relevant governments. **The CHIPS Act, for example, contains technology licensing restrictions that we may be required to comply with if we receive a grant under this legislation.** Noncompliance with the conditions of the grants **or arrangements** could result in our forfeiture of all or a portion of any future amounts to be received, as well as the repayment of all or a portion of amounts received to date **. We may be unable to obtain future incentives to continue to fund a portion of our capital expenditures and operating costs, without which our cost structure would be adversely impacted. Further, any decrease in amounts received could have a material adverse effect on our business, results of operations, or financial condition**. We may not fully realize the anticipated benefits of our completed or future acquisitions or divestitures. We have acquired, and expect in the future to acquire, additional businesses that we believe will complement or augment our existing businesses. In May 2018, we acquired Microsemi, which was our largest and most complex acquisition ever. Integration of our acquisitions is complex and may be costly and time consuming and include unanticipated issues, expenses and liabilities. We may not successfully or profitably integrate, operate, maintain and manage any newly acquired operations or employees. We may not be able to maintain uniform standards, procedures and policies. We may not realize the expected synergies and cost savings from the integration. There may be increased risk due to integrating financial reporting and internal control systems. It may be difficult to develop, manufacture and market the products of a newly acquired company, or grow the business at the rate we anticipate. Following an acquisition, we may not achieve the revenue or net income levels that justify the acquisition. We may suffer loss of key employees, customers and strategic partners of acquired companies and it may be difficult to implement our corporate culture at acquired companies. We have been and may in the future be subject to claims from terminated employees, shareholders of Microchip or the acquired companies and other third parties related to the transaction. In particular, in connection with our Microsemi and Atmel acquisitions, we became involved with third- party claims, litigation, governmental investigations and disputes related to such businesses and transactions. See **"** Note ~~11~~ **10. Commitments and Contingencies"** to our consolidated financial statements for information regarding such matters **which are still pending**. Acquisitions may also result in charges (such as acquisition- related expenses, write- offs, restructuring charges, or future impairment of goodwill), contingent liabilities, adverse tax consequences, additional share- based compensation expense and other charges that adversely affect our operating results. To fund our acquisition of Microsemi, we used a significant portion of our cash balances and incurred approximately $ 8. 10 billion of additional debt. We may fund future acquisitions of new businesses or strategic alliances by utilizing cash, borrowings under our Revolving Credit Facility, raising debt, issuing shares of our common stock, or other mechanisms. Further, if we decide to divest assets or a business, it may be difficult to find or complete divestiture opportunities or alternative exit strategies, which may include site closures, timely or on acceptable terms. These circumstances could delay the achievement of our strategic objectives or cause us to incur additional expenses with respect to the desired divestiture, or the price or terms of the divestiture may be less favorable than we had anticipated. Even following a divestiture or other exit strategy, we may have certain continuing obligations to former employees, customers, vendors, landlords or other third parties. We may also have continuing liabilities related to former employees, assets or businesses. Such obligations may have a material adverse impact on our results of operations and financial condition. In addition to acquisitions, we have in the past, and expect in the future, to enter into joint development agreements or other strategic relationships with other companies. These transactions are subject to a number of risks similar to those we face with our acquisitions including our ability to realize the expected benefits of any such transaction, to successfully market and sell products resulting from such transactions or to successfully integrate any technology developed through such transactions. As a result of our acquisition activity, **including our acquisition of Microsemi in May 2018,** our goodwill and intangible assets ~~have~~ increased significantly ~~in recent years~~ and we may in the future incur impairments to goodwill or intangible assets. When we acquire a business, a substantial portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The amount of the purchase price which is allocated to goodwill is determined by the excess of the purchase price over the net identifiable assets acquired. As of March 31, ~~2022~~ **2023** , we had goodwill of $ 6. 67 billion and net intangible assets of $ ~~4~~ **3** . ~~04~~ **37** billion. In connection with the completion of our acquisition of Microsemi in May 2018, our goodwill and intangible assets increased significantly. We review our indefinite- lived intangible assets, including goodwill, for impairment annually in the fourth fiscal quarter or whenever events or changes in circumstances indicate that the carrying amount of those assets is more likely than not impaired. Factors that may be considered in assessing whether goodwill or intangible assets may be impaired include a decline in our stock price or market capitalization, reduced estimates of future cash flows and slower growth rates in our industry. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on experience and to rely heavily on projections of future operating performance. Because we operate in highly competitive environments, projections of our future operating results and cash flows may vary significantly from our actual results. No goodwill impairment charges were recorded in fiscal ~~2022~~ **2023** or **in** ~~fiscal 2021. In~~ fiscal 2022 ~~, we~~ **. We** recognized **$ 1. 8 million and** $ 3. 0 million of intangible asset impairment charges ~~. No intangible asset impairment charges were recorded~~ in fiscal ~~2021~~ **2023 and fiscal 2022, respectively** . If in future periods, we determine that our goodwill or intangible assets are impaired, we will be required to write down these assets which would have a negative effect on our consolidated financial statements. If we fail to maintain proper and effective internal control and remediate any future control deficiencies, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and our reputation with investors. We have in the past identified a material weakness in our internal controls related to accounting for income taxes and we also identified a material weakness in our internal controls related to IT system access. Although such material weaknesses were remediated in fiscal 2020, there can be no assurance that similar control issues will not be identified in the future. If we cannot remediate future material weaknesses or significant deficiencies in a timely manner, or if we identify additional control deficiencies that individually or together constitute significant deficiencies or material weaknesses, our ability to accurately record, process, and report financial information and our ability to prepare financial statements within required time periods, could be adversely affected. Failure to maintain effective internal controls could result in violations of applicable securities laws, stock exchange listing requirements, and the covenants under our debt agreements, subject us to litigation and investigations, negatively affect investor confidence in our financial statements, and adversely impact our stock price and our ability to access capital markets. Ensuring that we have adequate internal financial and accounting controls and procedures so that we can produce accurate financial statements on a timely basis is a costly and time- consuming effort that needs to be re- evaluated frequently. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U. S. GAAP. We are required to comply with Section 404 of the Sarbanes- Oxley Act of 2002 which requires an annual management assessment of the effectiveness of our internal control over financial reporting and a report by our independent auditors. In addition to the identified material weaknesses related to accounting for income taxes and to IT system access, which were remediated as of March 31, 2020, we have from time to time identified other significant deficiencies. If we fail to remediate any future material weaknesses or significant deficiencies or to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, harm our ability to operate our business and reduce the trading price of our stock. Customer demands for us to implement business practices that are more stringent than legal requirements may reduce our revenue opportunities or cause us to incur higher costs. Some of our customers require that we implement practices that are more stringent than those required by applicable laws with respect to labor requirements, the materials contained in our products, energy efficiency, environmental matters or other items. To comply with such requirements, we also require our suppliers to adopt such practices. Our suppliers may in the future refuse to implement these practices, or may charge us more for complying with them. If certain of our suppliers refuse to implement the practices, we may be forced to source from alternate suppliers. The cost to implement such practices may cause us to incur higher costs and reduce our profitability, and if we do not implement such practices, such customers may disqualify us as a supplier, resulting in decreased revenue opportunities. Developing, enforcing, and auditing customer- requested practices at our own sites and in our supply chain will increase our costs and may require more personnel. We must attract and retain qualified personnel to be successful, and competition for qualified personnel has intensified. We must attract and retain qualified personnel to be successful, and competition for qualified personnel has intensified in recent periods in our industry due to high demand for skilled employees. Availability of labor is currently constrained in certain geographic markets in which we operate due to the tight and competitive labor market ~~across~~ **in** our industry. Competition for available labor has intensified for a variety of reasons, including the increase in work- from home arrangements brought about by COVID- 19, and the wage inflation in our industry. **We expect labor conditions will likely intensify further due to the expected construction of new wafer fabrication facilities by foundries and third parties in locations near our existing facilities.** Our ability to attract and retain skilled employees such as management, technical, marketing, sales, research and development, manufacturing, and operational personnel is critical to our business. We rely on a direct labor force at our manufacturing facilities. Any inability to maintain our labor force at our facilities may disrupt our operations, delay production, shipments and revenue and result in us being unable to timely satisfy customer demand, and ultimately could materially and adversely affect our business, financial condition and results of operations. Our inability to attract and retain hardware and software engineers and sales and marketing personnel, could delay the development and introduction of, and harm our ability to sell, our products. We have no employment agreements with any member of our senior management team, and it is possible that they could leave with little or no notice, which could make it more difficult for us to execute our planned business strategy. Our inability to retain, attract or motivate personnel could have a material adverse effect on our business, financial condition and results of operations. The occurrence of events for which we are self- insured, or which exceed our insurance limits, may adversely affect our profitability and liquidity. We have insurance coverage related to many different types of risk; however, we self- insure for some potentially significant risks and obligations, because we believe that it is more cost effective for us to self-insure than to pay the high premium costs. The risks and exposures that we self- insure include, but are not limited to, employee health matters, certain property matters, product defects, cybersecurity matters, employment risks, environmental matters, political risks, and intellectual property matters. Should there be a loss or adverse judgment in an area for which we are self-insured, then our financial condition, results of operations and liquidity may be materially adversely affected. We continue to be the target of attacks on our IT systems. Interruptions in and unauthorized access to our IT systems, ~~or~~ **our products, or our** improper handling of data, could adversely affect our business. We rely on the uninterrupted operation of complex IT systems and networks to operate our business. Any **improper handling of confidential data, or** significant disruption to our systems or networks, including, but not limited to, new system implementations, computer viruses, security breaches, facility issues, natural disasters, terrorism, war, telecommunication failures or energy blackouts could have a material adverse impact on our business, operations, supply chain, sales and operating results. Such **improper handling of confidential data, or system or network** disruption **,** could result in an unauthorized release of our, our suppliers' or our customers' intellectual property or confidential, proprietary or sensitive information, or the release of personal data. Any release of such information or data could harm our business or competitive position, result in a loss of customer confidence, and cause us to incur significant costs to remedy the damages. In addition, any release of such information or data or the failure to properly manage the collection, handling, transfer or disposal of such information may result in regulatory inquiries or penalties, enforcement actions, remediation obligations, claims for damages, litigation, and other sanctions. We have experienced verifiable attacks on our IT systems and data, including network compromises, attempts to breach our security measures and attempts to introduce malicious software into our IT systems. For example, in fiscal 2019, we learned of an ongoing compromise of our computer networks by what is believed to be sophisticated hackers. We engaged outside legal counsel and a leading forensic investigatory firm with experience in such matters. We took steps to identify malicious activity on our network including a compromise of our network and, in May 2019, we began implementing a containment plan. We routinely evaluate the effectiveness of the containment mechanisms that were implemented and continue to implement additional measures. We have analyzed the information that was compromised. We do not believe that this IT system compromise has had a material adverse effect on our business or resulted in any material damage to us. As a result of the IT system compromise, our management, including our chief executive officer and our chief financial officer, concluded that our internal controls related to IT system access were not effective resulting in a material weakness in our internal controls for fiscal 2019. Although this material weakness in our internal control was remediated in fiscal 2020, there can be no assurance that similar control issues will not be identified in future periods. Due to the types of products we sell and the significant amount of sales we make to government agencies or customers whose principal sales are to U. S. government agencies, we have experienced and expect to continue to experience in the future, attacks on our IT systems and data, including attempts to breach our security, network compromises and attempts to introduce malicious software into our IT systems. Were any future attacks to be successful, we may be unaware of the incident, its magnitude, or its effects until significant harm is done. In recent years, we have regularly implemented improvements to our protective measures which include, but are not limited to, implementation of the following: firewalls, endpoint intrusion detection and response software, regular patches, log monitors, event correlation tools, network segmentation, routine backups with offsite retention of storage media, system audits, dual factor identification, data partitioning, privileged account segregation and monitoring, routine password modifications, and an enhanced information security program including training classes and phishing exercises for employees and contractors with system access, along with tabletop exercises conducted by information security personnel. As a result of the material weakness in our internal controls resulting from the IT systems compromise in fiscal 2019, we have taken remediation actions and implemented additional controls and we are continuing to take actions to attempt to address evolving threats. However, ~~recent~~ **our** system improvements have not been fully effective in preventing attacks on our IT systems and data, including breaches of our security measures, and there can be no assurance that any future system improvements will be effective in preventing future cyber- attacks or disruptions or limiting the damage from any future cyber- attacks or disruptions. Such system improvements have resulted in increased costs to us and any future improvements, attacks or disruptions could result in additional costs related to rebuilding our internal systems, defending litigation, complaints or other claims, providing notices to regulatory agencies or other third parties, responding to regulatory actions, or paying damages. Such attacks or disruptions could have a material adverse impact on our business, operations and financial results **. Our products, or IP that we purchase or license from third**

parties for use in our products, as well as industry- standard specifications that we implement in our products, may be subject to security vulnerabilities. And, while some of our products contain encryption or security algorithms to protect third- party content or user- generated data stored on our products, these products could still be hacked or the encryption schemes could be compromised, breached, or circumvented by motivated and sophisticated attackers. Our products are being used in application areas that create new or increased cybersecurity, privacy or safety risks including applications that gather and process data, such as the cloud or Internet of Things, and automotive applications. We, our customers, and the users of our products may not promptly learn of or have the ability to fully assess the magnitude or effects of a vulnerability, including the extent, if any, to which a vulnerability has been exploited. Security vulnerabilities and any limitations of, or adverse effects resulting from, mitigation techniques can adversely affect our results of operations, financial condition, sales, customer relationships, share price, prospects, and reputation in a number of ways, any of which may be material. Adverse publicity about security vulnerabilities or mitigations could damage our reputation with customers or users and reduce demand for our products and services. These effects may be greater to the extent that competing products are not susceptible to the same vulnerabilities or if vulnerabilities can be more effectively mitigated in competing products. Moreover, third parties can release information regarding potential vulnerabilities of our products before mitigations are available. This, in turn, could lead to attempted or successful exploits of vulnerabilities, adversely affect our ability to introduce mitigations, or otherwise harm our business and reputation . Third- party service providers, such as wafer foundries, assembly and test contractors, distributors, credit card processors and other vendors have access to portions of our and our customers' data. In the event that these service providers do not properly safeguard the data that they hold, security breaches and loss of data could result. Any such breach or loss of data by our third- party service providers could negatively impact our business, operations and financial results, as well as our relationship with our customers. Our failure to comply with federal, state, or international privacy and data protection laws and regulations may materially adversely affect our business, results of operations and financial condition. We are subject to numerous laws and regulations in the U. S. and internationally regarding privacy and data protection such as the European Union' s (EU) General Data Protection Regulation (GDPR), the U. K. equivalent to the GDPR, the California Consumer Privacy Act, and the California Privacy Rights Act. The scope of these laws and regulations is rapidly evolving, subject to differing interpretations, and may be inconsistent among jurisdictions. Some of these laws create a broad definition of personal information, establish data privacy rights, impose data breach notification requirements, and create potentially severe statutory damages frameworks and private rights of action for certain data breaches. Some of the laws and regulations also place restrictions on our ability to collect, store, use, transmit and process personal information and other data across our business. For example, the GDPR restricts the ability of companies to transfer personal data from the European Economic Area (EEA) to the U. S. and other countries. Further, such laws and regulations have resulted and will continue to result in significantly greater compliance burdens and costs for companies such as us that have employees, customers, and operations in the EEA. In order to comply with the GDPR, we have relied mainly on the European Commission' s Standard Contractual Clauses (SCCs), for transfers of personal information from the EEA to the U. S. or other countries. However, the Court of Justice of the EU in a July 2020 decision (Schrems II) invalidated the EU- U. S. Privacy Shield Framework, and also called for stricter conditions in the use of the SCCs. Following the Schrems II decision, certain data protection authorities in the EU have issued statements advising companies within their jurisdiction not to transfer personal data to the U. S. under the SCCs. At present, there are few, if any, viable alternatives to the SCCs. If we are unable to implement sufficient safeguards to ensure that our transfers of personal information from the EEA are lawful, we may face increased exposure to regulatory actions and substantial fines and injunctions against processing personal information from the EEA. The loss of our ability to lawfully transfer personal data out of the EEA may cause reluctance or refusal by European customers to communicate with us as they are currently, and we may be required to increase our data processing capabilities in the EEA at significant expense. Additionally, other countries outside of the EEA have passed or are considering passing laws requiring local data residency which could increase the cost and complexity of providing our products in those jurisdictions. Furthermore, the GDPR and the U. K. equivalent of the GDPR expose us to two parallel data protection regimes in Europe, each of which potentially authorizes fines and enforcement actions for certain violations. Substantial fines may be imposed for breaches of data protection requirements, which can be up to 4 % of a company' s worldwide revenue or 20 million Euros, whichever is greater. Although the U. K. data protection regime currently permits data transfers from the U. K. to the EEA and other third countries, covered by a European Commission' adequacy decision' through the continued use of SCCs and binding corporate rules, these laws and regulations are subject to change, and any such changes could have adverse implications for our transfer of personal data from the U. K. to the EEA and other third countries. While we plan to continue to undertake efforts to conform to current regulatory obligations and evolving best practices, such efforts may be unsuccessful or result in significant costs. We may also experience reluctance, or refusal by European or multi- national customers to continue to provide us with personal data due to the potential risk exposure of personal data transfers and the current data protection obligations imposed on them by applicable data protection laws or by certain data protection authorities. These and any other data privacy laws and their interpretations continue to develop and their uncertainty and inconsistency may increase the cost of compliance, cause compliance challenges, restrict our ability to offer products in certain locations in the same way that we have been, potentially adversely affect certain third- party service providers, or subject us to sanctions by data protection regulators, all of which could adversely affect our business, financial condition and results of operations. We are exposed to various risks related to legal proceedings, investigations or claims. We are currently, and in the future may be, involved in legal proceedings, investigations or claims regarding intellectual property rights, product failures, our Microsemi acquisition, contracts **, export controls and sanctions,** and other matters. As is typical in the semiconductor industry, we receive notifications from third parties from time to time who believe that we owe them indemnification or other obligations related to claims made against us, our direct or indirect customers, or our licensees. These legal proceedings and claims, even if meritless, have in the past and could in the future result in **unexpected and** substantial costs to us. If we are unable to resolve or settle a matter, obtain necessary licenses on reasonable terms, reengineer products or processes to avoid infringement, provide a cost- effective remedy, or successfully prosecute or defend our position, we could incur uninsured liability in any of them, be required to take a charge to operations, be enjoined from selling a material portion of our products or using certain processes, suffer a reduction or elimination in the value of our inventories **, incur reputational damage** , and our business, financial condition or results of operations could be harmed. It is also possible that from time to time we may be subject to claims related to the manufacture, performance, or use of our products. These claims may be due to injuries, economic damage or environmental exposures related to manufacturing, a product' s nonconformance to our or our customer' s specifications, changes in our manufacturing processes, or unexpected customer system issues due to the integration of our products or insufficient design or testing by our customers. We could incur significant expenses related to such matters, including, but not limited to: • costs related to writing off the value of our inventory of nonconforming products; • recalling nonconforming products; • providing support services, product replacements, or modifications to products and the defense of such claims; • diversion of resources from other projects; • lost revenue or a delay in the recognition of revenue due to cancellation of orders ~~or~~ **,** unpaid receivables **, or reimbursement of costs or damages** ; • customer imposed fines or penalties for failure to meet contractual requirements; and • a requirement to pay damages ~~or~~ **,** penalties **or recall costs** . Because the systems into which our products are integrated have a higher cost of goods than the products we sell, the expenses and damages we are asked to pay may be significantly higher than the revenue and profits we received. While we exclude consequential damages in our standard terms and conditions, certain of our contracts may not exclude such liabilities. Further, our ability to avoid such liabilities may be limited by law. We have liability insurance which covers certain damages arising out of product defects, but we do not expect that insurance will fully protect against such claims. Payments we may make in connection with these customer claims may adversely affect the results of our operations. Further, we sell to customers in industries such as automotive, aerospace, defense, safety, security, and medical, where failure of the application could cause damage to property or persons. We may be subject to claims if our products, or the integration of our products, cause system failures. We will face increased exposure to claims if there are substantial increases in either the volume of our sales into these applications or the frequency of system failures integrating our products. Our contractual relationships with our customers expose us to risks and liabilities. With the exception of orders placed under our Preferred Supply Program **and LTSAs** , we do not typically enter into long- term contracts with our non- distributor customers, and therefore we cannot be certain about future order levels from our customers. When we ~~do~~ enter into customer contracts (other than under our Preferred Supply Program **and LTSAs**), the ~~contract~~ **contracts** ~~is~~ **are** generally cancelable based on standard terms and conditions. Under our Preferred Supply Program **and LTSAs** , customers may cancel contracts in the event of price increases. While we had approximately ~~124~~ **125** , 000 customers, and our ten largest direct customers accounted for approximately 12 % of our total revenue in fiscal ~~2022~~ **2023** , and ~~five~~ **four** of our top ten direct customers are contract manufacturers that perform manufacturing services for many customers, cancellation of customer contracts could have an adverse impact on our revenue and profits. For example, due to uncertainty related to the COVID- 19 pandemic, we experienced an increase in order cancellations and requests to reschedule deliveries to future dates in the first quarter of fiscal 2021. **Also, in recent months many of our customers felt the effects of slowing economic activity and increasing business uncertainty and customer requests to push- out or cancel backlog increased in the March 2023 quarter.** Certain customer contracts differ from our standard terms of sale. For some of the markets that we sell into, such as the automotive and personal computer markets, our customers may have negotiating leverage over us as a result of their market size. For example, under certain contracts we have committed to supply products on scheduled delivery dates, or extended our obligations for liabilities such as warranties or indemnification for quality issues or intellectual property infringement. If we are unable to supply the customer as contractually required, the customer may incur additional production costs, lost revenues due to delays in their manufacturing schedule, or quality- related issues. We may be liable for costs and damages associated with customer claims, and we may be obligated to defend the customer against claims of intellectual property infringement and pay associated legal fees. While we try to minimize the number of contracts which contain such provisions, manage the risks of such liabilities, and set caps on our liability exposure, sometimes we are unable to do so. In order to win important designs, avoid losing business to competitors, maintain existing business, or be permitted to bid on new business, we have, and may in the future, have to agree to uncapped liability for such items as intellectual property infringement or product failure **, or have to agree to liquidated damage provisions** . This exposes us to risk of liability far exceeding the purchase price of the products sold under such contracts, the lifetime revenues we receive under such contracts, or potential consequential damages. Further, where we do not have negotiated customer contracts, our customer' s order terms may govern the transaction and contain terms unfavorable to us. These risks could result in a material adverse impact on our results of operations and financial condition. Failure to adequately protect our intellectual property could result in lost revenue or market opportunities. Our ability to obtain patents, licenses and other intellectual property rights covering our products and manufacturing processes is important for our success. To that end, we have acquired certain patents and licenses and intend to continue to seek patents on our technology and manufacturing processes. The process of seeking patent protection can be expensive, and patents may not be issued from currently pending or future applications. In addition, our existing and new patents, trademarks and copyrights that are issued may not have sufficient scope or strength to provide meaningful protection or commercial advantage to us. We may be subject to, or may initiate, interference proceedings in the U. S. Patent and Trademark Office, patent offices of a foreign country or U. S. or foreign courts, which can require significant financial resources. In addition, the laws of certain foreign countries do not protect our intellectual property rights to the same extent as the laws of the U. S. Infringement of our intellectual property rights by a third- party could result in uncompensated lost market and revenue opportunities for us. Although we continue to aggressively defend and protect our intellectual property on a worldwide basis, there can be no assurance that we will be successful. Our reported financial results may be adversely affected by new accounting pronouncements or changes in existing accounting standards and practices. We prepare our financial statements in conformity with U. S. GAAP. These accounting principles are subject to interpretation or changes by the FASB and the SEC. New accounting pronouncements and interpretations of accounting standards and practices have occurred in the past and are expected to occur in the future. New accounting pronouncements or a change in the interpretation of accounting standards or practices may have a significant effect on our reported financial results and may affect our reporting of transactions completed before the change is effective. Regulatory authorities in jurisdictions into or from which we ship our products or import supplies could **issue new export controls or trade sanctions,** levy fines, restrict or delay our ability to export products or import supplies, or increase costs associated with the manufacture or transfer of products. A significant portion of our sales require export and import activities. Our U. S.- manufactured products or products based on U. S. technology **or U. S. software** are subject to laws and regulations ~~on~~ **that govern** international trade, including but not limited to the Foreign Corrupt Practices Act, **Export Administration Regulations (** ~~EARs~~ - **EAR)** , International Traffic in Arms Regulations and trade sanctions against embargoed countries and ~~denied entities~~ **restricted parties** , including those administered by the U. S. ~~Department~~ **Departments** of ~~the~~ **State, Commerce, and** Treasury ~~, Office of Foreign Assets Control~~ . Licenses or license exceptions are **often** required for the shipment of our products to certain countries. Our inability to timely obtain a license, for any reason, including a delay in license processing due to a federal government shutdown like that which occurred in 2018 **, or changes in government policies of approval or denial of licenses** , could cause a delay in scheduled shipments which could have a material adverse impact on our revenue within the quarter of a shutdown, and in following quarters depending on the extent that license processing is delayed. Further, determination by a government that we have failed to comply with trade regulations or anti- bribery regulations can result in penalties which may include denial of export privileges, fines, penalties, and seizure of products, **or loss of reputation,** any of which could have a material adverse effect on our business, sales and earnings. A change in laws and regulations could restrict our ability to transfer product to previously permitted countries, customers, distributors or others. For example, in ~~February~~ **October** 2022, the U. S. **Commerce Department published** ~~began implementing widescale sanctions against Russia due to Russia' s invasion of the Ukraine. Sanctions against Belarus and~~ - **an interim final rule entitled" Implementation of Additional Export Controls: Certain Advanced Computing and Semiconductor Manufacturing Items; Supercomputer and Semiconductor End Use; Entity List Modification." This regulation imposes restrictions on advanced computing integrated circuits (ICs), computer commodities that contain such ICs, as well as on** certain ~~Ukraine regions were later implemented~~ **semiconductor manufacturing items, and expands controls on transactions involving items for supercomputer and semiconductor manufacturing end- uses** . ~~Because~~ **This rule, for example, expands** the ~~actions by Russia against~~ **scope of foreign- produced items subject to license requirements for 28 existing entities on** the ~~Ukraine~~ **Entity List that** are **located** in **China** ~~conflict with our Guiding Values, Microchip chose to cease shipments into Russia and Belarus, and we will continue to comply with applicable U. S. sanctions regarding Ukraine. While sales of our products into these regions, and to customers that sell into these regions, have been negatively impacted, at this time, we have not experienced a material adverse impact on our revenue~~ . An additional example occurred in April 2018, when the U. S. Commerce Department banned U. S. companies from selling products or transferring technology to ZTE, a Chinese company, and certain subsidiaries. This ban was lifted in July 2018. In fiscal 2020, ~~when~~ the U. S. Commerce Department **effectively** banned U. S. companies from selling products or transferring technology to certain Chinese companies, including Huawei and ~~certain subsidiaries~~ **their related companies worldwide** . In fiscal 2020, the U. S. Federal Acquisition Regulation prohibited U. S. governmental agencies from buying equipment ~~using~~ **incorporating** covered telecommunications equipment **,** as a substantial component or critical technology **,** where the technology came from certain Chinese companies. In July 2020, this was expanded to prohibit U. S. governmental agencies from entering into a contract with any company that uses covered telecommunications equipment whether or not the Chinese technology is related to the procurement. **The** ~~Effective June 2020, amendments to the~~ EAR ~~regarding~~ **also effectively** ~~prohibitions~~ --- **prohibits** ~~of~~ sales of items ~~with~~ **for** a “ military end use **,** ” ~~into~~ **to a" military end- user," or for a" military intelligence" end- user, or end- use to certain countries, such as Belarus, Burma, Cambodia, Cuba,** China, **Iran, North Korea,** Russia, **Syria** and Venezuela ~~, and Belarus effective March 2021, and elimination of an EAR License Exception, apply to more of our products than the previous regulations~~ . Any of the foregoing changes could adversely impact our operational costs due to the administrative impacts of complying with these regulations ~~,~~ and may limit those with whom we conduct business. Any one or more of these sanctions, future sanctions, a change in laws or regulations, or a prohibition on shipment of our products or transfer of our technology to significant customers could have a material adverse effect on our business, financial condition and results of operations. The U. S. and other countries have levied tariffs and taxes on certain goods, implemented trade restrictions, and introduced national security protection policies. Trade tensions between the U. S. and China, which escalated in 2018, have continued and include the U. S. increasing tariffs on Chinese origin goods and China increasing tariffs on U. S. origin goods. We took steps to mitigate the costs of these tariffs on our business by making adjustments in operations and supply. Although these tariff increases did not result in a material adverse impact on our operating costs in fiscal 2019 or fiscal 2020, they did reduce demand for our products during fiscal 2019 and fiscal 2020. Increased tariffs on our customers' products could adversely impact their sales, and increased tariffs on our products in comparison to those of our competitors could each result in lower demand for our products. Further changes in trade or national security protection policy, tariffs, additional taxes, restrictions on exports or other trade barriers, **including those taken against the U. S. in retaliation for U. S. policies,** may limit our ability to **obtain equipment, components or raw materials (including rare earth minerals), limit our ability to** produce products, increase our selling and / or manufacturing costs, decrease margins, reduce the competitiveness of our products, ~~or~~ reduce our ability to sell products, **or reduce our ability to have mergers and acquisitions approved by governmental agencies, any of** which could have a material adverse effect on our business, results of operations or financial conditions. The outcome of future examinations of our income tax returns could have an adverse effect on our results of operations. We are subject to examination of our U. S. and certain foreign income tax returns for fiscal 2007 and later. We regularly assess the likelihood of adverse outcomes of these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from current or future examinations. There can be no assurance that the final determination of any of these or any future examinations will not have an adverse effect on our effective tax rates, financial position and results of operations. Exposure to greater than anticipated income tax liabilities, changes in tax rules and regulations, changes in the interpretation of tax rules and regulations, or unfavorable assessments from tax audits could affect our effective tax rates, financial condition and results of operations. We are a U. S.-based multinational company subject to tax in many U. S. and foreign jurisdictions. Our income tax obligations could be affected by many factors, including changes to our operating structure, intercompany arrangements and tax planning strategies. Our income tax expense is computed based on tax rates at the time of the respective financial period. Our future effective tax rates, financial condition and results from operations could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes in the tax rules and regulations or the interpretation of tax rules and regulations in the jurisdictions in which we do business or by changes in the valuation of our deferred tax assets. ~~The~~ **For example, the** Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project and ~~is expected~~ **released an implementation package in December 2022 which provides a coordinated system** to ~~continue to issue~~ **ensure that multinational enterprises pay a global minimum tax. The** guidelines and proposals ~~that~~ may change aspects of the existing framework under which our tax obligations are determined in many of the countries where we do business. Similarly, the European Commission and several countries have issued proposals that would change aspects of the current tax framework under which we are taxed. These proposals include changes to the existing income tax framework, possibilities of a global minimum tax, and proposals to change or impose new types of non- income taxes, including taxes based on a percentage of revenue **. In August 2022, the U. S. government enacted the Inflation Reduction Act of 2022 (Inflation Reduction Act). The Inflation Reduction Act includes a new corporate alternative minimum tax (Corporate AMT) of 15. 0 % on the adjusted financial statement income (AFSI) of corporations with average AFSI exceeding $ 1. 00 billion over a three- year period. The Corporate AMT is effective for us beginning in fiscal 2024. We are evaluating the Corporate AMT and its potential impact on our tax expense, cash taxes, and effective tax rate** . Our business, financial condition and operating results may be adversely impacted by policies implemented globally by the current or future administrations. The current administration in the U. S. and administrations in other global jurisdictions in which we operate, have indicated support for significant legislative and policy changes in areas including but not limited to tax, trade, labor, and the environment. If implemented, these changes could increase our effective tax rate, and increase our selling and / or manufacturing costs, which could have a material adverse effect on our business, results of operations or financial conditions. Changes in tax policy, trade regulations or other matters, and any uncertainty surrounding the scope or timing of such changes, could negatively impact the stock market, and reduce the trading price of our stock. For example, in February 2022, the U. S. began implementing widescale sanctions against Russia due to Russia' s invasion of ~~the~~ Ukraine. Sanctions against Belarus and certain ~~Ukraine~~ **Ukrainian** regions were later implemented. Because the actions by Russia against ~~the~~ Ukraine are in conflict with our Guiding Values, Microchip chose to cease shipments into Russia and Belarus, and we will continue to comply with applicable U. S. sanctions regarding Ukraine. While sales of our products into these regions, and to customers that sell into these regions, have been negatively impacted, at this time, we have not experienced a material adverse impact on our revenue. Retaliatory acts by Russia in response to the sanctions could include cyber attacks, sanctions, or other actions that could disrupt the economy. As a result of the foregoing risks or similar risks, the imposition of sanctions could have a material adverse effect on our business, results of operations or financial condition. We are subject to stringent environmental and other regulations, which may force us to incur significant expenses. We must comply with federal, state, local and foreign governmental regulations related to the use, storage, discharge and disposal of hazardous substances used in our products and manufacturing processes. Our failure to comply, or the failure of entities that we have acquired over time to have complied, with regulations could result in significant fines, liability for clean- up, suspension of production, cessation of operations or future liabilities. Such regulations have required us in the past, and could require us in the future, to incur significant expenses to comply with such regulations. Our failure to control the use of, or adequately restrict the discharge of, hazardous substances could impact the health of our employees and others and could impact our ability to operate. Such failure could also restrict our ability to ship certain products to certain countries, require us to modify our logistics, or require us to incur other significant costs and expenses. Environmental laws continue to expand with a focus on reducing or eliminating hazardous substances in electronic products and shipping materials. Future environmental regulations could require us to reengineer certain of our existing products and may make it more expensive for us to manufacture, sell and ship our products. In addition, the number and complexity of laws focused on the energy efficiency of electronic products, the recycling of electronic products, and the reduction in the amount and the recycling of packing materials have expanded significantly. It may be difficult for us to timely comply with these laws and we may have insufficient quantities of compliant products to meet customers' needs, thereby adversely impacting our sales and profitability. We may have to write off inventory if we hold unsaleable inventory as a result of changes to regulations. We expect these risks to continue. These requirements may increase our own costs, as well as those passed on to us by our supply chain. Climate change regulations and sustained adverse climate change pose risks that could harm our results of operations. Climate change regulations or voluntary actions we may have taken as part of our Environmental, Social, and Governance initiatives could require us to limit emissions, change manufacturing processes, substitute materials which may cost more or be less available, fund offset projects, obtain new permits or undertake other costly activities. Failure to obtain required permits could result in fines, suspension or cessation of production. Restrictions on emissions could result in significant costs such as higher energy costs, carbon taxes, and emission cap and trade programs. The cost of compliance with such regulations could restrict our manufacturing operations, increase our costs, and have an adverse effect on our operating results. ~~The~~ **In March 2022, the** SEC ~~has recently~~ proposed a rule entitled Enhancement and Standardization of Climate- Related Disclosures for Investors. While the proposed rule is not yet in effect and is subject to change as a result of the SEC comment process, if it were to go in effect in its current form, we would incur significant additional costs of compliance due to the need for expanded data collection, analysis, and certification. Further, certain elements of the proposed rule, such as mandatory third- party verification of emissions, may be difficult to comply with in the proposed required timeframe as there may be an insufficient number of qualified third- party verification entities to meet demand. Sustained adverse change in climate could have a direct adverse economic impact on us, such as utility shortages, and higher costs of utilities. Certain of our operations are located in arid or tropical regions, which some experts believe may become vulnerable to fires, storms, severe floods and droughts. While our business recovery plans are intended to allow us to recover from natural disasters or other disruptive events, our plans may not protect us from all events. Customer demands and regulations related to conflict- free minerals may force us to incur additional expenses. Under the Dodd- Frank Wall Street Reform and Consumer Protection Act, in August 2012, the SEC released investigation, and disclosure requirements regarding the use of" conflict" minerals mined from the Democratic Republic of Congo and adjoining countries. We filed a Form SD with the SEC regarding such matters on May ~~28~~ **27** , ~~2021~~ **2022** . Other countries are considering similar regulations. If we cannot certify that our supply chain is free from the risk of irresponsible sourcing, customers may demand that we change the sourcing of materials used in the manufacture of our products, even if the costs for compliant materials significantly increases or availability is limited. If we change materials or suppliers, there will likely be costs associated with qualifying new suppliers and production capacity and quality could be negatively impacted. Our relationships with customers and suppliers may be adversely affected if we are unable to certify that our products are free from the risk of irresponsible sourcing. We have incurred, and expect in the future to incur, additional costs associated with complying with these disclosure requirements, such as costs related to determining the source of any conflict minerals used in our products. We may be unable to satisfy customers who require that all of the components of our products be certified as conflict free in a materially different manner than advocated by the Responsible Minerals Initiative or the Dodd- Frank Wall Street Reform and Consumer Protection Act. If we are unable to meet customer requirements, customers may disqualify us as a supplier **, resulting in a permanent or temporary loss of sales to such customer or reduce purchase from us,** and we may have to write off inventory if it cannot be sold. In addition to concerns over " conflict " minerals mined from the Democratic Republic of Congo, our customers may require that other minerals and substances used within our supply chain be evaluated and reported on. An increase in reporting obligations will increase associated operating costs. This could have negative effects on our overall operating profits. **Failure to meet ESG expectations or standards, or achieve our ESG goals, could adversely affect our business, results of operations, financial condition, or stock price. In recent years, there has been an increased focus on ESG matters, including greenhouse gas emissions and climate- related risks, renewable energy, water stewardship, waste management, diversity, equality and inclusion, responsible sourcing and supply chain, human rights, and social responsibility. We are committed to ESG and actively manage these issues. We have publicly announced certain goals, which we may refine or expand further in the future. These goals reflect our current plans and aspirations, and are not guarantees that we will be able to achieve them. Evolving stakeholder expectations, and our efforts to manage these issues, report on them, and accomplish our goals, present numerous operational, regulatory, reputational, financial, legal, and other risks, any of which could have a material adverse impact, including on our reputation and stock price. Such risks and uncertainties include: • reputational harm, including damage to our relationship with customers, supplies, investors, governments, or other stakeholders; • adverse impacts on our ability to sell and manufacture products; • increased risk of litigation, investigations, or regulatory enforcement action; • unfavorable ESG ratings or investor sentiment; • diversion of resources and increased costs to control, assess, and report on ESG metrics; • our ability to achieve our goals within announced timeframes; • increased costs to achieve our goals; • unforeseen operational and technological difficulties; • access to and increased cost of capital; and • adverse impacts on our stock price. Any failure, or perceived failure, to meet evolving expectations and industry standards, or achieve our ESG goals could have an adverse effect on our business, results of operations, financial condition, or stock price.** A requirement to fund our foreign pension plans could negatively affect our cash position and operating capital. In connection with our acquisitions of Microsemi and Atmel, we assumed pension plans that cover certain French and German employees. Most of these plans are unfunded in compliance with statutory requirements, and we have no immediate intention of funding these plans. The projected benefit obligation totaled $ ~~74~~ **53** . ~~6~~ **9** million at March 31, ~~2022~~ **2023** . Benefits are paid when amounts become due. We expect to pay approximately $ 1. ~~6~~ **8** million in fiscal ~~2023~~ **2024** for benefits earned. Should regulations require funding of these plans in the future, it could negatively affect our cash position and operating capital. The future trading price of our common stock could be subject to wide fluctuations in response to a variety of factors. The market price of our common stock has fluctuated significantly in the recent past and is likely to fluctuate in the future. The future trading price of our common stock could be subject to wide fluctuations in response to a variety of factors, many of which are beyond our control, including, but not limited to: • global economic and financial uncertainty due to **higher interest rates, higher inflation, instability in** the ~~COVID- 19 pandemic~~ **banking sector, public health concerns** or other factors; • quarterly variations in our operating results or the operating results of other technology companies; • changes in our financial guidance or our failure to meet such guidance; • changes in analysts' estimates of our financial performance or buy / sell recommendations; • general conditions in the semiconductor industry; • the amount and timing of repurchases of shares of our common stock; • our ability to realize the expected benefits of our completed or future acquisitions; and • actual or anticipated announcements of technical innovations or new products by us or our competitors. In addition, the stock market has recently and in the past experienced significant price and volume fluctuations that have affected the market prices for many companies and that often have been unrelated to their operating performance. These broad market fluctuations and other factors have harmed and may harm the market price of our common stock. The foregoing factors could also cause the market price of our Convertible Debt to decline or fluctuate substantially. The amount and timing of our share repurchases may fluctuate in response to a variety of factors. The amount, timing, and execution of repurchases of shares of our common stock may fluctuate based on the share price of our common stock, general business and market conditions, tax regulations impacting share repurchases and other factors including our operating results, level of cash flow, capital expenditures and dividend payments. Although our Board of Directors has authorized share repurchases of up to $ 4. 00 billion **, of which $ 2. 63 billion is still available** , the authorization does not obligate us to acquire any particular amount of shares. We cannot guarantee that our share repurchase authorization will be fully consummated or that it will enhance long- term shareholder value. The repurchase authorization may be suspended or discontinued at any time at our discretion and may affect the trading price of our common stock and increase volatility. Our financial condition and results of operations could be adversely impacted if we do not effectively manage current or future debt. As of March 31, ~~2022~~ **2023** , the principal amount of our outstanding indebtedness was $ ~~7~~ **6** . ~~84~~ **47** billion. As a result of our acquisition of Microsemi, we have substantially more debt than we had prior to May 2018. At March 31, ~~2022~~ **2023** , we had $ ~~1~~ **100** . ~~40~~ **0** ~~billion~~ **million** in outstanding borrowings under our Revolving Credit Facility which provides up to $ 2. 75 billion of revolving loan commitments that terminate in 2026. At March 31, ~~2022~~ **2023** , we had $ 5. 60 billion in aggregate principal amount of Senior Notes and $ ~~838~~ **766** . ~~1~~ **6** million in aggregate principal of Convertible Debt outstanding. Our maintenance of substantial levels of debt could adversely affect our ability to take advantage of opportunities and could adversely affect our financial condition and results of operations. We may need or desire to refinance our current or future debt and there can be no assurance that we will be able to do so on reasonable terms, if at all. Servicing our debt requires a significant amount of cash, we may not have sufficient cash to fund payments and adverse changes in our credit ratings could increase our borrowing costs and adversely affect our ability to access the debt markets. Our ability to make scheduled payments of principal, interest, or to refinance our indebtedness, including our outstanding Convertible Debt and Senior Notes, depends on our future performance, which is subject to economic, competitive and other factors ~~including those related to the COVID- 19 pandemic~~ . Our business may not continue to generate sufficient cash flow to service our debt and to fund capital expenditures, dividend payments, share repurchases or acquisitions. If we are unable to generate such cash flow, we may be required to undertake alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on onerous or highly dilutive terms. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. Our senior ~~secured~~ notes are rated by certain major credit rating agencies. These credit ratings impact our cost of borrowing and our ability to access the capital markets and are based on our financial performance and financial metrics including debt levels. There is no assurance that we will maintain our current credit ratings. A downgrade of our credit rating by a major credit rating agency could result in increased borrowing costs and could adversely affect our ability to access the debt markets to refinance our existing debt or finance future debt. Conversion of our Convertible Debt will dilute the ownership interest of our existing stockholders. The conversion of some or all of our outstanding Convertible Debt will dilute the ownership interest of our existing stockholders to the extent we deliver common stock upon conversion of such debt. Following our irrevocable settlement election made on April 1, 2022, upon conversion, we are required to satisfy our conversion obligation with respect to such converted Convertible Debt by delivering cash equal to the principal amount of such converted Convertible Debt and cash and shares of common stock or any combination, at our option, with respect to any conversion value in excess thereof (i. e., the conversion spread). There would be no adjustment to the numerator in the net income per common share computation for the cash settled portion of the Convertible Debt as that portion of the debt instrument will always be settled in cash. The conversion spread will be included in the denominator for the computation of diluted net income per common share. Any sales in the public market of any common stock issuable upon conversion of our Convertible Debt could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Debt may encourage short selling by market participants because the conversion of the Convertible Debt could be used to satisfy short positions, or anticipated conversion of the Convertible Debt into shares of our common stock could depress the price of our common stock. Fluctuations in foreign currency exchange rates could adversely impact our operating results. We use forward currency exchange contracts in an attempt to reduce the adverse earnings impact from the effect of exchange rate fluctuations on our non- U. S. dollar net balance sheet exposures. Nevertheless, in periods when the U. S. dollar significantly fluctuates in relation to the non- U. S. currencies in which we transact business, the value of our non- U. S. dollar transactions can have an adverse effect on our results of operations and financial condition. In particular, in periods when the value of a non- U. S. currency significantly declines relative to the U. S. dollar, customers transacting in that currency may be unable to fulfill their contractual obligations or to undertake new obligations to make payments or purchase products. In periods when the U. S. dollar declines significantly relative to the British pound, Euro, Thai baht and Taiwan dollar, the operational costs in our European and Thailand subsidiaries are adversely affected. Although our business has not been materially adversely impacted by recent changes in the value of the U. S. dollar, there can be no assurance as to the future impact that any weakness or strength in the U. S. dollar will have on our business or results of operations.