Letter to Shareholders

KLA

Keep Looking Ahead

Q1 Fiscal 2023 Earnings

Quarter Ended September 30, 2022 • Reported On October 26, 2022

Dear KLA Shareholders,

KLA's strong September quarter results demonstrate the sustainable outperformance and consistency we are known for. Above all, our ability to deliver on our strategic objectives and meet our financial targets defines our success and drives long-term shareholder value.

Revenue of $2.7 billion finished at the top of the guidance range and grew 31% on a year-over-year basis and 10% sequentially. Quarterly Non-GAAP Net Income topped the $1 billion level for the first time. GAAP Earnings Per Share (EPS) was $7.20, and non-GAAP EPS was $7.06, with each finishing above the guidance ranges.

Customer demand across our major product groups remained strong throughout the quarter. This reflects the increasingly essential role Process Control plays in the development of enabling technology and our customers' long-term product roadmaps. While near-term headwinds related to the global macro economy and supply-chain challenges have impacted demand for semiconductors in PC's and other consumer-facing markets, semiconductors have become ubiquitous across multiple other industries, resulting in greater diversification of demand. This demand continues to put pressure on the industry's ability to deliver semiconductors across multiple technology nodes, including numerous leading and legacy nodes. It is also important to recognize that Process Control plays a critical enabling role in our customers' ability to execute on these node and technology transitions.

Against this evolving demand backdrop, KLA has remained focused on responding to customer needs and navigating supply chain challenges. Our strong quarterly results are the latest example of KLA successfully meeting or exceeding our commitments and creating value for our customers, partners, and shareholders. Our global KLA teams continue to leverage the KLA Operating Model to meet the challenges and rise to the opportunities in the marketplace.

In this Shareholder Letter, we provide an update on our views of the changing industry demand environment, summarize the quarterly business and financial highlights for the September quarter, and present our outlook for the December quarter.

Semiconductor Industry Demand Environment

The Semiconductor industry has evolved to be more strategic, possessing a diversified end market mix, with growth coming from the increasingly critical nature of semiconductors throughout the world. Factors such as the continuing advancement of technology spurred by the economic, power, and performance benefits of being at the leading edge, increasing investment in legacy nodes as semiconductor content increases, and innovation and growth of new enabling technologies such as Advanced Packaging are fueling long-term growth for the semiconductor equipment industry.

As it relates to the near-term semiconductor demand environment, the macro-driven slowdown in certain consumer electronics markets, notably in PCs and mobility, has been well articulated over recent weeks and months. Weakening consumer demand and resultant increase in excess end device inventories is having an impact on semiconductor device pricing, particularly in memory. As a result, semiconductor customers are adjusting CY23 capex budgets lower, with the largest impact to date coming from memory customers.

Additionally, on October 7, 2022, the U.S. government issued new regulations to control aspects of the U.S. semiconductor industry trade with China. We have been evaluating the overall impact these new controls will have on semiconductor industry demand. Specific to KLA, while a meaningful amount of our business in China is focused on legacy node investment, which is not the focus of the recent export restrictions, our systems and service revenue will be adversely impacted going forward as we are unable to provide systems and support to certain customers for certain end uses. We are assessing the broader implications and engaging collaboratively with the U.S. government to provide the necessary information about our products and services to fully determine the impact on our business operations moving forward.

Slowing Consumer Electronics Markets and Supply Chain Challenges Impacting Semiconductor Demand
The Semiconductor industry is facing a combination of factors impacting demand growth, including inflation, COVID-related disruptions in China, and ongoing supply chain challenges. As a result, semiconductor demand (particularly in PC and consumer markets) has been impacted, with memory device manufacturers and foundry/logic customers beginning to take steps to adjust factory utilizations and capacity investments. Despite the near-term headwinds to capacity growth, semiconductor producers continue to prioritize investments in R&D of next generation technologies.

Customer R&D Investment Remains a Top Priority for Capex Spending
As the market leader in Process Control, KLA plays a critical role in enabling technology transitions in advanced semiconductor manufacturing. Calendar 2022 is forecasted to be another year of double-digit growth for the company and strong relative performance vs. the WFE industry. Despite the near-term demand and macroeconomic headwinds, customers continue to invest in technology transitions in every segment. KLA benefits from these investments as we are on the critical path to enabling faster R&D cycles, faster yield ramps and higher, more stable yields in production.

Long-Term Secular Drivers Demonstrate Strategic Value of Semiconductors
Although our industry demand forecast calls for a decline in WFE demand in calendar 2023, there are many fundamental drivers propelling long-term growth of the Semiconductor industry, underscoring the strategic importance of semiconductors and the semiconductor supply chain. The digital transformation of our lives is expanding beyond consumer to multiple end markets and technology-based services. The increasing investment and focus on regionalization of semiconductor production demonstrates the growing strategic nature of semiconductors in the global economy.

The strategic nature of semiconductors in the global economy continues to grow

KLA’s Long-Term Financial Targets Remain Intact

Despite near-term market headwinds, our long-term targets remain intact. At our June 16, 2022, Investor Day in New York City, we introduced our new long-term revenue growth targets and financial model for CY26 and increased our shareholder return target to greater than 85% of free cash flow. Consistent with this return commitment, we announced a series of capital return updates, including a significant share repurchase, which is ongoing, and a dividend increase. Despite recent near-term headwinds, KLA’s 9-11% revenue growth objective through CY26 features strong relative growth in each of our major business lines over that period and includes the upwardly revised long-term growth model of 12-14% CAGR in our Services business fueled by growth in the installed base, and new value-added service offerings. Our long-term model assumes a baseline semiconductor industry growth CAGR of 6-7% through 2026, and many forecasts today expect the semiconductor market to exceed $1 trillion by 2030. Wafer Fab Equipment (WFE) capital intensity is also expected to continue to modestly increase adding an incremental growth element above semiconductor revenue growth.

Top 5 Highlights for the September 2022

1 **KLA's Consistency Led by Execution and Market Leadership**
KLA continues to deliver strong relative performance vs. peers, as our market leadership in some of the largest and fastest growing areas of WFE fuels our growth. Given that, KLA is positioned to be one of the fastest growing Tier 1 equipment suppliers in CY22.

2 **Broad Adoption of KLA's Reticle Inspection Portfolio Drives Strong Patterning Systems Growth**
KLA's Patterning systems revenue grew 49% sequentially and 67% on a year-over-year basis, driven by strong EUV mask shop inspection growth in 5nm and below applications, as well as growth in mask shop and wafer fab applications in mature node applications.

3 **Record Quarterly Revenue for SPTS Showcases Automotive Opportunity**
KLA delivered record quarterly revenue in our Specialty Semi Process business (SPTS). As we discussed at our June 2022 Investor Day, KLA is intensifying efforts in Advanced Packaging and Automotive electronics, leveraging the combined portfolios of both the Semiconductor Process Control and EPC groups.

4 **Services Demonstrates Strong Growth, Consistency**
Services revenue was $529 million, up 16% year-over-year. Services growth is driven by the rapidly growing installed base, increasing customer adoption of long-term service agreements, and expansion of Service opportunities in legacy nodes. KLA's Services business is unique in our industry for having nearly all revenue generated from "Pure Services," or service contracts and break-fix maintenance, and does not include other revenue sources such as equipment upgrades or sales of refurbished equipment.

5 **Another Strong Quarter of Free Cash Flow Generation; Operating Cash Flow Tops $1 Billion**
The September quarter was another exceptional period for KLA in terms of free cash flow generation. Quarterly operating cash flow topped $1 billion for the first time, and free cash flow grew 24% sequentially to $927 million, and free cash flow margin was 34%. For the 12 months ended September 30, 2022, free cash flow grew 37% to $3.14 billion and free cash flow margin was 32%.

First, KLA continues to deliver strong relative outperformance versus peers, as our market leadership in some of the largest and fastest-growing markets in WFE supports our growth. As a result, KLA is positioned to be one of the fastest growing Tier 1 WFE equipment suppliers in calendar 2022, substantially outperforming expected overall WFE market growth.

Second, our Patterning systems revenue grew 49% sequentially and 67% on a year-over-year basis driven by strong EUV mask shop inspection growth in 5nm and below applications, as well as growth in mask shop and wafer fab applications in mature node applications. KLA's reticle inspection systems business plays a critical role in quality control during manufacturing of optical and EUV reticle types and ongoing monitoring to ensure reticle fidelity in high-volume wafer manufacturing.

Third, KLA delivered record quarterly revenue in our SPTS business. As we discussed at our June 2022 Investor Day, KLA is intensifying our efforts in Advanced Packaging and Automotive electronics, leveraging the combined portfolios of both the Semiconductor Process Control and Electronics, Packaging, and Components (EPC) groups. We are broadening our product portfolio and developing a comprehensive suite of products and technologies as part of a portfolio of inspection systems and process tools designed to help Automotive customers achieve their zero-defect goals.

Fourth, the KLA Services business grew to $529 million in the September quarter despite some foreign exchange headwinds due to the strength of the U.S. dollar, up 16% year-over-year, above the 12% to 14% long-term revenue growth target. KLA Services strength was driven by our growing installed base and its continued high utilization levels, increasing customer adoption of long-term service agreements, and expansion of Service opportunities in the legacy nodes. KLA's Services business is unique in our industry for having nearly all our Service revenue generated from "Pure Services," or service contracts and break-fix maintenance, and does not include other revenue sources such as equipment upgrades or sales of refurbished equipment. This speaks to the durability and resiliency of Services revenue.

Finally, the September quarter was another exceptional period from a cash flow and capital returns perspective. Operating cash flow topped $1 billion for the first time, and we generated quarterly free cash flow of $927 million and a free cash flow margin of 34%. For the 12 months ended September 30, 2022, total free cash flow grew 37% to $3.14 billion.

Total capital returns in the quarter were $278 million, comprised of $90 million in share repurchases and $188 million in dividends paid. Total capital returns over the 12 months ended September 30 were $5.2 billion, or 166% of free cash flow, and included $4.6 billion in share repurchases and $664 million in dividends. Our $3 billion Accelerated Stock Repurchase (ASR) announced late last quarter is ongoing and is expected to complete this quarter.

KLA remains focused on returning capital to shareholders via our dividend and stock repurchase programs as we see it as fundamental to augmenting shareholder returns in KLA. In June, we announced a $6 billion share repurchase authorization, as well as a 24% increase in our quarterly dividend level. Additionally, we increased our long-term targeted capital returns to greater than 85% of free cash flow, up from 70%.

Before moving into the financial highlights, let's recap a few key points. KLA's September quarter results once again demonstrates our outperformance, highlighting the critical nature of KLA's products and services in enabling the digital transformation in how we live and work. Our consistent, strong execution against various challenges in the marketplace, both in terms of macro-economic uncertainty and in addressing persistent supply chain issues, highlights the resiliency of the KLA Operating Model, the dedication of our global teams, and our commitment to assertive capital allocation and delivering long-term value to our stakeholders.

As we discussed in depth at our Investor Day, KLA is exceptionally well positioned at the forefront of technology innovation with a comprehensive portfolio of products to meet demanding customer requirements, balancing sensitivity and throughput. The semiconductor and electronics landscapes are constantly changing, and we continue to see more customer interest driven by technology change than ever before at the leading edge. Simultaneously, the need for increased performance and reliability requirements for legacy nodes to support evolving markets like Automotive and 5G is also essential to help deliver new capabilities.

The KLA Operating Model positions us well for sustainable outperformance relative to the industry. It also guides our critical strategic objectives. These objectives fuel our growth, reliable operational excellence, and differentiation across an increasingly diverse product and services offering. Our strategic objectives also form the foundation for KLA's sustained technology leadership, wide competitive moat, leading financial performance, strong free cash flow generation, and consistent capital returns to shareholders.

The KLA Operating Model

Consistent Strategy and Execution
- Application of common processes and discipline
- Cascades throughout the organization
- Strong focus on talent development

Management By Metrics
- Culture of performance and accountability
- Expectation of continuous improvement
- Superior margins driven by market leadership and differentiation

Financial Discipline and Rigor
- Exert efficiency and operating discipline in our investments
- Strong track record of high returns
- Focused on enhancing shareholder value

Focused on driving sustainable profitability and growth

September Quarter 2022 Financial Highlights

KLA's September quarter results were strong, better than expected, and demonstrated our consistent, successful execution. While supply chain challenges continue in certain areas and are still limiting output, we have seen marginal improvement as new supplier capacity has come online to meet our requirements. Our continued focus on meeting customer needs while expanding market leadership, growing revenue, sustaining industry-leading gross and operating margins, generating strong free cash flow, and maintaining our long-term strategy of assertive capital allocation is what makes us successful.

Quarterly revenue was $2.724 billion, at the top of the guided range of $2.475 to $2.725 billion. Non-GAAP diluted EPS was $7.06, above the guided range of $5.70 to $6.80. GAAP diluted EPS was $7.20.

$2,724M Revenue	**63.4%** Gross Margin*	**44.1%** Operating Margin*	**$1,007M** Net Income*

$7.06 Non-GAAP Diluted EPS*

$7.20 GAAP Diluted EPS

KLA's Gen5 Broadband Plasma Optical Patterned Wafer Inspection Platform

* Non-GAAP metric – please refer to the appendix for reconciliation to GAAP

Non-GAAP gross margin was 40 basis points above the mid-point of guidance at 63.4% as Semiconductor Process Control systems, which carries stronger gross margins, delivered virtually all the revenue upside from the guidance midpoint.

Non-GAAP operating expenses were $526 million, slightly below our expectation of $530 million for the quarter. Total operating expenses comprised $309 million in R&D and $217 million in SG&A.

Non-GAAP operating margin was strong at 44.1%. Other income and expense, net, was $53 million, compared with guidance of $75 million, with the positive variance from guidance reflecting favorable adjustments resulting from a tax settlement in the quarter. The quarterly effective tax rate was 12.4%.

As mentioned earlier, quarterly Non-GAAP net income topped the $1 billion level for the first time ever, GAAP net income was $1.03 billion, cash flow from operations was $1.01 billion, and free cash flow was $927 million, resulting in a free cash flow conversion of 92% and a free cash flow margin of 34%. The company had approximately 143 million diluted weighted average shares outstanding at the end of September.

Breakdown of Revenue by Reportable Segments and End Markets

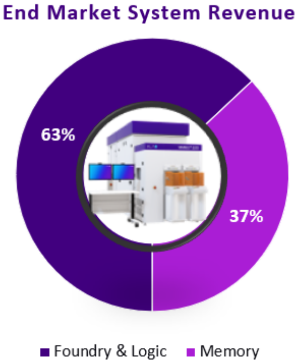
Revenue for the Semiconductor Process Control segment, including its associated Services business, was $2.4 billion, up 35% year-over-year and up 13% sequentially. The Semiconductor Process Control system customer segment mix for Foundry/Logic customers was approximately 63%. Memory was approximately 37%.

Revenue for our EPC group is driven by demand in automotive, 5G, and advanced packaging. Within EPC, the Specialty Semiconductor Process segment, which includes its associated Services business, generated record quarterly revenue of $128 million, up 25% over the prior year and up 3% sequentially. PCB, Display and Component Inspection revenue was $201 million, down 1% year-over-year and down 19% on a sequential basis. Demand in KLA's PCB, Display and Component Inspection segment reflects the impact of slowing consumer electronics markets, particularly in mobile phones.

Breakdown of Revenue by Reportable Segments and End Markets

	Revenue Q1-FY23 ($M)	Y/Y Growth	Q/Q Growth %	Revenue %
Semiconductor Process Control (Systems + Services)	$2,398	+35%	+13%	88%
Specialty Semiconductor Process (Systems + Services)	$128	+25%	+3%	5%
PCB, Display and Component Inspection (Systems + Services)	$201	-1%	-19%	7%
Total:	$2,724[1]	+31%	+10%	

Q1-FY23: Semi Process Control End Market System Revenue



Amounts exclude corporate allocations and effects of changes in currency exchange rates

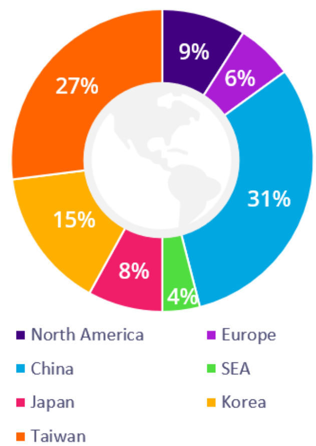
Breakdown of Revenue by Major Products and Regions

Wafer Inspection systems grew 24% year-over-year, was flat sequentially, and was 41% of total revenue. Patterning systems, which include metrology and reticle inspection, was up 67% year-over-year and 49% on a sequential basis to 27% of total revenue. Specialty Semiconductor Process systems grew 23% year-over-year and 3% sequentially and was 4% of total revenue. PCB, Display and Component Inspection systems revenue fell 2% year-over-year and 25% sequentially to 5% of total revenue. Services increased 16% from a year ago levels and rose 3% sequentially and was 19% of total revenue. Other, which is consolidated into the Semiconductor Process Control segment, was 4% of total revenue.

	Revenue Q1-FY23 ($M)	Y/Y Growth	Q/Q Growth %	Revenue %
Wafer Inspection	$1,103	+24%	+0%	41%
Patterning	$733	+67%	+49%	27%
Specialty Semi Process	$114	+23%	+3%	4%
PCB, Display and Comp. Inspection	$134	-2%	-25%	5%
Services	$529	+16%	+3%	19%
Other[1]	$111	+54%	+23%	4%
Total:	**$2,724**	**+31%**	**+10%**	

[1] Included in the Semiconductor Process Control Segment

Q1-FY23 Revenue by Region



The September 2022 quarter regional revenue split was as follows: China was 31% of which Semi Process Control was approximately 25%, Taiwan was 27%, and Korea was 15%. North America was 9% of revenue. Other regions that accounted for less than 10% of sales included Japan at 8%, Europe at 6%, and the rest of Asia at 4%.

Strong Investment Grade Balance Sheet with no Bond Maturities Until 2024

KLA ended the quarter with almost $3.0 billion in total cash, cash equivalents and marketable securities, debt of $6.3 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three agencies. In June, S&P upgraded KLA one notch to A-, citing improved scale and outlook for further profitable growth. Later in June, KLA issued $3 billion in new debt, including $1 billion aggregate principal amount of 4.65% Senior Notes due 2032, $1.2 billion aggregate principal amount of 4.95% Senior Notes due 2052, and $800 million aggregate principal amount of its 5.25% Senior Notes due 2062. Finally, after these offerings, on July 7, 2022, KLA announced the completion of a tender offer for $500 million of 4.65% Senior notes due 2024. These actions reinforce that KLA maintains active and diligent oversight of our cost of capital, an awareness of the impact on shareholder value of the appropriate capital structure for our business, and productive capital allocation. Our balance sheet offers a unique capability to fund our growth strategies, organic and inorganic, and provide ongoing attractive capital returns to shareholders.

Balance Sheet Summary[1] ($M)

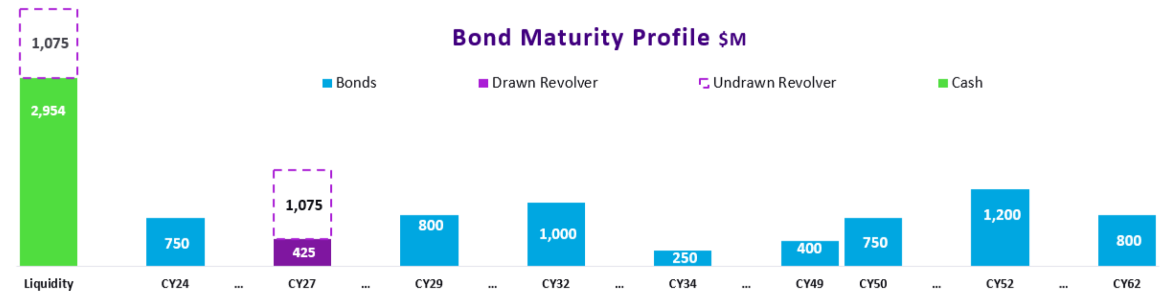
Total Cash[2]	$ 2,954
Working Capital	$ 4,505
Total Assets	$ 13,124
Debt[3]	$ 6,313
Total Shareholders' Equity	$ 2,102

Bond Maturity Profile

Bonds Outstanding	$5.95B
Weighted Average Rate	4.64%
Weighted Average Maturity	19.9 years

Investment Grade Credit Ratings

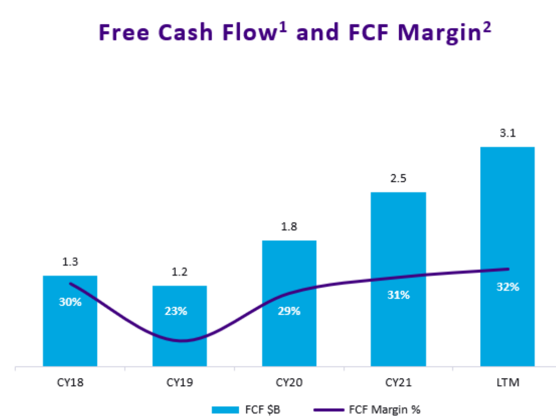
Moody's	A2
S&P	A-
Fitch	A-



[1] As of 9/30/22; [2] Total Cash includes Cash, Cash Equivalents and Marketable Securities;
[3] Includes $425M in revolving credit facility (Revolver) drawings less $62M in un-amortized debt issuance discounts and costs.

FCF Generation Fuels Consistent Capital Return to Shareholders

As demonstrated by our calendar 2026 financial targets and the capital returns actions announced at our recent Investor Day, KLA has confidence in our business over the long-term and is committed to a consistent strategy of cash returns that includes both dividend growth and increasing share repurchases. Consistent with this, we increased our long-term capital returns target as mentioned above. KLA's capital return strategy underscores our strong track record of predictable and assertive capital deployment and remains an important differentiating element of the KLA investment thesis.

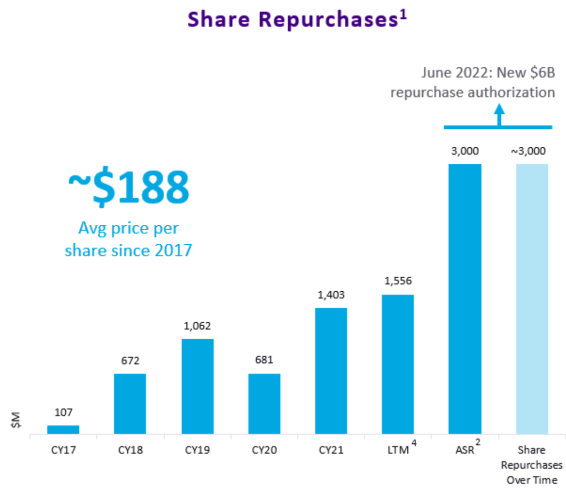


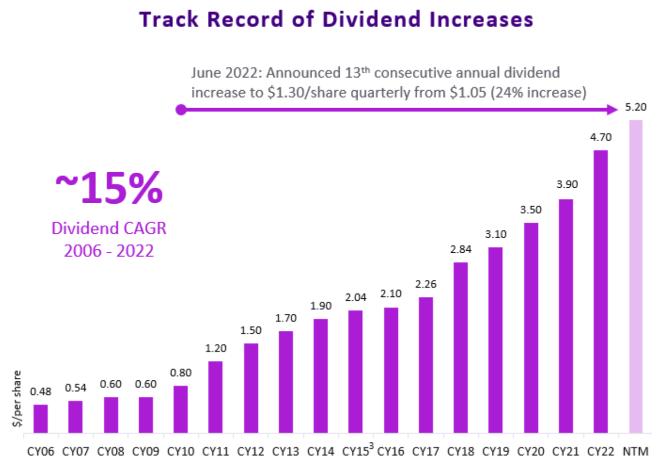
[1] Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
[2] FCF Margin defined as FCF/Revenue; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP

Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

Over the last 12 months, KLA has returned $5.2 billion to shareholders, including $4.6 billion in share repurchases and $664 million in dividends paid, with total capital returns amounting to 166% of free cash flow.

Return to Shareholders Across Both Share Repurchases & Dividends





[1]Settlement Date basis | [2] Executed in June 2022, to be completed in December 2022 quarter, subject to market conditions
[3] Excludes $16.50 per share special dividend in CY15 | [4] Excludes ASR

Free Cash Flow and Capital Returns Highlights

KLA has an impressive history of consistent free cash flow generation, high free cash flow conversion, and strong free cash flow margins across all phases of the business cycle and economic conditions.

$927M
Free Cash Flow*

34%
FCF Margin*

92%
FCF Conversion*

Surfscan SP-7; The latest generation in KLA's market-leading unpatterned wafer inspection portfolio

$90M
Sept Quarter Share Buyback

$4,558M
LTM Share Buyback [1]

$188M
Sept Quarter Dividends Paid

$664M
LTM Dividends Paid

* Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. FCF Margin = FCF/Revenue. FCF Conversion = FCF / Non-GAAP Net Income. Non-GAAP metric
[1] Includes $900 million Forward Contract for Accelerated Share Repurchases – Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

Outlook

KLA continues to deliver sequential growth and strong relative financial performance. Based on the midpoint of our December quarter guidance, KLA is positioned for mid-20th percent revenue growth for the total company in CY22 with Semiconductor Process Control systems growing several points faster than the company average. Furthermore, our Semi Process Control systems business is expected to significantly outperform the overall WFE industry growth which is currently projected to be up mid to high singles digits to the low $90 billion range.

Looking ahead, we expect industry spending to slow. Though early, we are planning our business based on the expectation of CY23 WFE declining approximately 20% based on increasing global macro-economic concerns and recent public statements from several customers, particularly in memory, and the impact of the new U.S. government regulations on native China investment. This WFE estimate reflects our current tops-down assessment of industry demand as follows: in memory, we expect WFE investment to decline by more than the market, as memory customers respond to lower consumer demand by cutting production and factory utilizations to bring device supply in line with demand. We expect foundry/logic to decline less than the overall market.

Specific to KLA, we are still assessing the impact of the new China export regulations. Our preliminary assessment for the combined gross direct impact on our revenue based on our existing backlog and sales funnel forecast is in the range of approximately $600 to $900 million in CY23. This reflects systems and service impact with service representing approximately 10 to 15% of the total. This estimate is before any potential system reallocation for products where supply is meaningfully below current demand which has resulted in significant lead times to other customers. Given our backlog and forecast, we expect that we will be able to reallocate certain tools to other customers as we move through next year.

KLA's unique broad portfolio differentiation and primary value proposition is focused on enabling technology transitions which our customers continue to invest in regardless of business environment. While capacity plans can change, technology roadmap investment tends to be more resilient. This adds additional confidence in our business expectations as customers align shipment slots with roadmap requirements. In this environment, we will continue to focus on meeting customer requirements, maintaining a high level of investment in R&D to advance our product roadmaps and KLA's market leadership, and delivering strong relative revenue growth and financial performance.

December Quarter Guidance

Our December quarter guidance is as follows: total revenue is expected to be in a range of $2.8 billion, plus or minus $150 million. The gross direct impact of the new China regulations on December quarter revenue guidance is approximately $100 million. Foundry/Logic is forecasted to be approximately 76%, and Memory is expected to be around 24% of Semi PC systems revenue. Within Memory, DRAM is expected to be about 55% of the segment mix and NAND 45%.

We forecast non-GAAP gross margin to be in a range of 61.5% to 63.5% due primarily to expected product and segment mix.

Looking ahead, KLA will continue to balance investments in technology and infrastructure to support our long-term growth objectives with the expectation of a softening near-term outlook. As a result, operating expenses will grow to approximately $550 million in the December quarter, with growth in quarterly operating expenses expected to flatten out as we move through CY23.

Other model assumptions for the December quarter include: other income and expense, net, of approximately $66 million, and an effective tax rate of approximately 13.5%. Finally, GAAP diluted EPS is expected to be in a range of $5.94 to $7.34, and non-GAAP diluted EPS in a range of $6.30 to $7.70. EPS guidance is based on a fully diluted share count of approximately 140 million shares.

December 2022 Quarter Guidance

Revenue	$2,650M to $2,950M
Non-GAAP Gross Margin*	61.5% to 63.5%
GAAP Diluted EPS	$5.94 to $7.34
Non-GAAP Diluted EPS*	$6.30 to $7.70

Macro Assumptions

Semi PC Revenue By End Market

- Foundry/Logic: 76%
- Memory: 24%

Model Assumptions

- Non-GAAP Operating Expenses*: ~$550M
- Other Income & Expense (OIE)*, Net: ~$66M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~140M

* Non-GAAP metric – Refer to Appendix for Reconciliation to GAAP

Driving profitable growth and delivering shareholder value

In Conclusion

Although the CY23 outlook for WFE demand has softened, we remain confident that the secular trends driving long-term Semiconductor industry demand and investments in WFE are durable and compelling. Broad-based customer demand, the increasing strategic role semiconductors are playing in influencing national industrial policy, and simultaneous investments supporting growing semiconductor content across technology nodes remain important trends. These are long-term secular growth drivers for the industry, as technology investment and node transitions reflect the value that semiconductors and our industry have in lowering costs for our customers and enabling a broader application universe for semiconductor-based technology across multiple end-markets.

For KLA, considering our strong track record of execution and the power of our portfolio strategy, we have confidence in our ability to continue to deliver sustainable relative outperformance. We will continue to maintain a high level of investment in our product development roadmaps to enable market share expansion, and support customers' technology roadmaps and multi-year investment plans. This provides an element of stability that shores up our confidence in the demand outlook for the future. These factors, combined with the KLA Operating Model that guides our execution, position us to continue to deliver strong relative performance as we execute our strategic objectives. These objectives fuel our growth, consistent operational excellence, and differentiation across a diverse product and services offering. They are also the foundation for our sustained technology leadership, wide competitive moat, industry-leading financial performance, history of robust free cash flow generation, and consistent and growing capital returns to shareholders.

Sincerely,

Rick Wallace
CEO

Bren Higgins
CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

(Dollars in millions, excepter per share amounts)		For the three months ended Sep 30, 2022
GAAP net income attributable to KLA		$ 1,026.0
Adjustments to reconcile GAAP net income to non-GAAP net income*		
Acquisition-related charges	a	75.3
Restructuring, severance and other charges	b	(5.2)
Debt extinguishment loss	c	13.3
Income tax effect of non-GAAP adjustments	d	(27.3)
Discrete tax items	e	(75.5)
Non-GAAP net income attributable to KLA		$ 1,006.6
GAAP diluted EPS		$ 7.20
Non-GAAP diluted EPS		$ 7.06
Shares used in diluted shares calculation		142.6
GAAP gross profit		$ 1,683.2
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*		
Acquisition-related charges	a	$ 45.1
Non-GAAP gross profit		$ 1,728.3
GAAP gross margin		61.8%
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*		
Acquisition-related charges	a	1.6%
Non-GAAP gross margin		63.4%

		For the three months ended Sep 30, 2022
GAAP operating income (1)		$ 1,110.7
Adjustments to reconcile GAAP operating income to non-GAAP operating income*		
Acquisition-related charges	a	$ 75.3
Restructuring, severance and other charges	b	$ 16.2
Non-GAAP operating income (1)		$ 1,202.2
GAAP operating margin		40.8%
Non-GAAP operating margin		44.1%
GAAP research and development ("R&D") expenses		$ 318.5
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*		
Acquisition-related charges	a	$ (9.1)
Non-GAAP R&D expenses		$ 309.4 ^
GAAP selling, general and administrative ("SG&A") expenses (1)		$ 254.0
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*		
Acquisition-related charges	a	$ (21.0)
Restructuring, severance and other charges	b	$ (16.2)
Non-GAAP SG&A expenses (1)		$ 216.7 ^
GAAP Other expense (income), net		$ 40.7
Adjustments to reconcile GAAP other expenses (income), net to non-GAAP other expenses*		
Restructuring, severance and other charges	b	$ 11.8
Non-GAAP Other expense (income), net		$ 52.5

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP), because the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The benefit associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter ended September 30, 2022 was $10.3 million. The loss associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended September 30, 2022 was $10.3 million.

^ Amounts may not sum due to rounding

* Refer to "Reconciliation of Non-GAAP Financial Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information for each reconciling item

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures (Dollars in millions)	For the three months ended		For the twelve months ended					
	Sep 30, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	$ 1,011.5	$ 819.2	$ 3,460.5	$ 2,786.4	$ 2,536.7	$ 1,968.1	$ 1,373.0	$ 1,389.7
Less Capital expenditures	$ (84.4)	$ (73.2)	$ (322.7)	$ (250.4)	$ (244.7)	$ (200.3)	$ (149.2)	$ (86.5)
Free cash flow	**$ 927.2 ^**	**$ 746.1 ^**	**$ 3,137.7 ^**	**$ 2,536.0**	**$ 2,292.0**	**$ 1,767.8**	**$ 1,223.8**	**$ 1,303.2**
Free cash flow	$ 927.2		$ 3,137.7	$ 2,536.0		$ 1,767.8	$ 1,223.8	$ 1,303.2
Revenue	$ 2,724.4		$ 9,852.5	$ 8,165.7		$ 6,073.0	$ 5,278.6	$ 4,304.5
Free cash flow margin	**34.0%**		**31.8%**	**31.1%**		**29.1%**	**23.2%**	**30.3%**
Free Cash Flow Conversion calculation								
Free cash flow	$ 927.2							
Non-GAAP net income attributable to KLA	$ 1,006.6							
Free cash flow conversion	**92.1%**							
GAAP metric comparable to Free Cash Flow Conversion								
Net cash provided by operating activities	$ 1,011.5							
GAAP net income attributable to KLA	$ 1,026.0							
GAAP metric comparable to free cash flow conversion	**98.6%**							
Cash paid for dividends	$ 188.0		$ 663.7					
Cash paid for share repurchases	$ 89.8		$ 3,658.0					
Cash paid for forward contract	$ -		$ 900.0					
Capital returns	**$ 277.8**		**$ 5,221.7**					
Capital returns as a percentage of free cash flow			**166.4%**					

The Company presents free cash flow and certain related metrics as supplemental non-GAAP measures of its performance. Free cash flow is determined by adjusting GAAP net cash provided by operating activities for capital expenditures. Free cash flow conversion is defined as free cash flow divided by non-GAAP net income, and free cash flow margin is defined as free cash flow divided by revenue.

^ Amounts may not sum due to rounding

Reconciliation of Guidance

Q2 FY2023 Guidance Range:

(In millions, except per share amounts and percentages)		Low	High
GAAP diluted net income per share		$ 5.94	$ 7.34
Acquisition-related charges	a	0.49	0.49
Restructuring, severance and other charges	b	0.01	0.01
Income tax effect of non-GAAP adjustments	d	(0.14)	(0.14)
Non-GAAP diluted net income per share		$ 6.30	$ 7.70
Shares used in diluted shares calculation		140.3	140.3
GAAP gross margin		59.8%	62.0%
Acquisition-related charges	a	1.7%	1.5%
Non-GAAP gross margin		61.5%	63.5%
GAAP operating expenses		$ 568	$ 580
Acquisition-related charges	a	(23)	(23)
Restructuring, severance and other charges	b	(1)	(1)
Non-GAAP operating expenses		$ 544	$ 556

Note: The guidance as of October 26, 2022 represents our best estimate considering the information known as of the date of issuing the guidance. We undertake no responsibility to update the above in light of new information or future events. Refer to forward looking statements for important information. Also refer to "Reconciliation of Non-GAAP Financial Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information about each reconciling item.

Note Regarding Reconciliations of Long-term Forecasts:

This presentation/shareholder letter includes certain forward-looking non-GAAP financial measures, including gross margin, R&D as a percent of sales, SG&A as a percent of sales, operating margin and diluted EPS, in forecasts for calendar year 2023 and calendar year 2026. The reconciliations for these non-GAAP measures to the most directly comparable GAAP measures are not presented because of the inherent difficulty in predicting, with a reasonable degree of certainty, the occurrence, financial impact and timing of items that would be expected to impact GAAP results but would not impact non-GAAP adjusted results, such as acquisition costs, restructuring costs and discrete taxable events, without unreasonable efforts. These reconciling items could significantly impact, either individually or in the aggregate, the corresponding GAAP measures.

Reconciliation of Non-GAAP Financial Measures

Explanation of Non-GAAP Financial Measures:

To supplement our Condensed Consolidated Financial Statements presented in accordance with GAAP, we provide certain non-GAAP financial information, which is adjusted from results based on GAAP to exclude certain costs and expenses, as well as other supplemental information. The non-GAAP and supplemental information is provided to enhance the user's overall understanding of our operating performance and our prospects in the future. Specifically, we believe that the non-GAAP information, including non-GAAP net income attributable to KLA, non-GAAP net income per diluted share attributable to KLA, non-GAAP R&D expenses, non-GAAP gross margin, non-GAAP operating margin, non-GAAP operating expenses, Free Cash Flow, FCF Conversion and FCF Margin, provides useful measures to both management and investors regarding financial and business trends relating to our financial performance by excluding certain costs and expenses that we believe are not indicative of our core operating results to help investors compare our operating performances with our results in prior periods as well as with the performance of other companies. The non-GAAP information is among the budgeting and planning tools that management uses for future forecasting. However, because there are no standardized or generally accepted definitions for most non-GAAP financial metrics, definitions of non-GAAP financial metrics are inherently subject to significant discretion (for example, determining which costs and expenses to exclude when calculating such a metric). As a result, non-GAAP financial metrics may be defined very differently from company to company, or even from period to period within the same company, which can potentially limit the usefulness of such information to an investor. The presentation of non-GAAP and supplemental information is not meant to be considered in isolation or as a substitute for results prepared and presented in accordance with United States GAAP. The following are descriptions of the adjustments made to reconcile GAAP net income attributable to KLA to non-GAAP net income attributable to KLA:

a) Acquisition-related charges primarily include amortization of intangible assets and other acquisition-related adjustments including adjustments for the fair valuation of inventory and backlog, and transaction costs associated with our acquisitions.

b) Restructuring, severance and other charges primarily include costs associated with employee severance, acceleration of certain stock-based compensation arrangements, interest expense on unrecognized tax benefits, charges related to liquidation of legal entities, gains and losses from exiting non-core businesses, adjustments related to non-controlling interest and other exit costs.

c) Loss on extinguishment of debt includes a pre-tax loss on early extinguishment of the $500 million 4.650% Senior Notes due in November 2024.

d) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.

e) Discrete tax items consist of consist of certain income tax expenses/benefits that, by excluding, help investors compare our operating performance with our results in prior periods as well as with the performance of other companies.

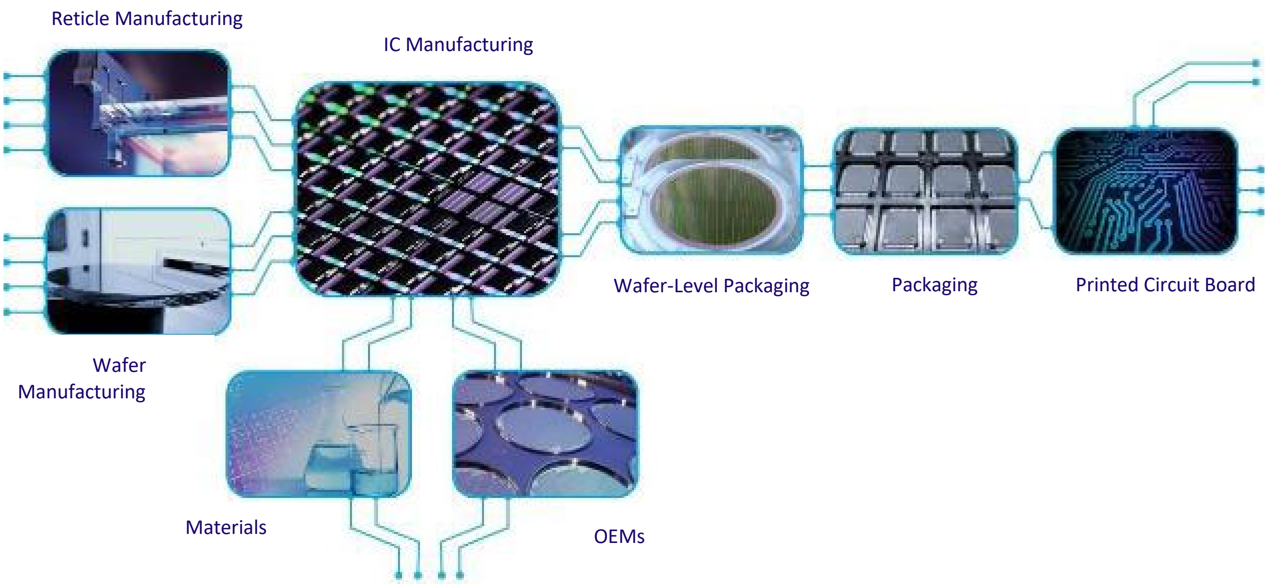
About KLA Corporation

KLA Corporation (KLA) is the world's leading supplier of process control and yield management solutions for the semiconductor and related microelectronics industries. The company's comprehensive portfolio of products, software, analysis, services, and expertise is designed to help Integrated Circuit (IC) manufacturers manage yield throughout the entire wafer fabrication process- from Research & Development to final yield analysis. KLA offers a broad spectrum of products and services that are used by every major semiconductor manufacturer in the world. We provide advanced process control and process-enabling solutions for manufacturing wafers and reticles, integrated circuits, Packaging, printed circuit boards and flat panel displays. In close collaboration with leading customers across the globe, our expert teams of physicists, engineers, data scientists and problem-solvers design solutions that move the world forward. Additional information may be found at: www.kla.com.

Investors and others should note that KLA announces material financial information to investors using an investor relations website (ir.kla.com), including SEC filings, press releases, public earnings calls, and conference webcasts. These channels are used to communicate with the public about the company, products, services, and other matters.

KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

Semiconductor Manufacturing	Related Electronics Industries
• IC Manufacturing	• Compound Semiconductor
• Wafer Manufacturing	• Power Device
• Reticle Manufacturing	• LED
• IC Packaging	• MEMS
• Printed Circuit Board	• Data Storage/Media Head
	• Flat Panel Display
	• General Purpose/Labs



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Note on Forward-Looking Statements

Statements in this letter other than historical facts, such as statements pertaining to: (i) the impact of recent U.S. regulations on our systems and services revenue in China; (ii) our long-term financial targets and assumptions underlying them; (iii) future industry demand for semiconductors; (iv) future shareholder returns as a percentage of free cash flows; (v) future dividends and share repurchases; (vi) revenue growth percentage for calendar 2022; (vii) outperformance of our Semi Process Control business in relation to WFE industry growth; (viii) slowdowns in industry spending and WFE declines in 2023; (ix) revenues, GAAP and non-GAAP gross margin, GAAP and non-GAAP diluted EPS, revenues across end markets, non-GAAP operating expenses, OIE, net, effective tax rate and diluted share count for the December quarter; and (x) operating expense levels in calendar 2023, are forward-looking statements and subject to the Safe Harbor provisions created by the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on current information and expectations and involve a number of risks and uncertainties. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to: the impact of the COVID-19 pandemic on the global economy and on our business, financial condition and results of operations, including the supply chain constraints we are experiencing as a result of the pandemic; economic, political and social conditions in the countries in which we, our customers and our suppliers operate, including rising inflation and interest rates, Russia's invasion of Ukraine and global trade policies; disruption to our manufacturing facilities or other operations, or the operations of our customers, due to natural catastrophic events, health epidemics or terrorism; ongoing changes in the technology industry, and the semiconductor industry in particular, including future growth rates, pricing trends in end-markets, or changes in customer capital spending patterns; our ability to timely develop new technologies and products that successfully anticipate or address changes in the semiconductor industry; our ability to maintain our technology advantage and protect our proprietary rights; our ability to compete with new products introduced by our competitors; our ability to attract, onboard and retain key personnel; cybersecurity threats, cyber incidents affecting our and our customers, suppliers and other service providers' systems and networks and our and their ability to access critical information systems for daily business operations; liability to our customers under indemnification provisions if our products fail to operate properly or contain defects or our customers are sued by third parties due to our products; exposure to a highly concentrated customer base; availability and cost of the wide range of materials used in the production of our products; our ability to operate our business in accordance with our business plan; legal, regulatory and tax environments in which we perform our operations and conduct our business and our ability to comply with relevant laws and regulations; increasing attention to ESG Matters and the resulting costs, risks and impact on our business; our ability to pay interest and repay the principal of our current indebtedness is dependent upon our ability to manage our business operations, our credit rating and the ongoing interest rate environment, among other factors; our ability or the ability of our customers to obtain licenses for the sale of certain products or provision of certain services to customers in China, pursuant to regulations recently issued by the Bureau of Industry and Security of the U.S. Department of Commerce, which could impact our business, financial condition and results of operations; instability in the global credit and financial markets; our exposure to currency exchange rate fluctuations, or declining economic conditions in those countries where we conduct our business; changes in our effective tax rate resulting from changes in the tax rates imposed by jurisdictions where our profits are determined to be earned and taxed, expiration of tax holidays in certain jurisdictions, resolution of issues arising from tax audits with various authorities or changes in tax laws or the interpretation of such tax laws; our ability to identify suitable acquisition targets and successfully integrate and manage acquired businesses; and unexpected delays, difficulties and expenses in executing against our environmental, climate, inclusion and diversity or other ESG targets, goals and commitments. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this press release, please refer to KLA Corporation's Annual Report on Form 10-K for the year ended June 30, 2021, and other subsequent filings with the Securities and Exchange Commission. KLA Corporation assumes no obligation to, and does not currently intend to, update these forward-looking statements