

Letter to Shareholders



Keep Looking Ahead

Q2 Fiscal 2023 Earnings

Quarter Ended December 31, 2022 • Reported On January 26, 2023

Dear KLA Shareholders,

To begin the discussion of KLA’s results for the calendar year 2022 and for the December quarter, we’d like first to acknowledge and thank the exceptional global KLA team. You continue to perform above expectations and rise to the challenges despite a period of unprecedented growth. Your commitment and hard work exemplify KLA’s values and fueled our record performance in 2022. Thank you.

Calendar 2022 Recap

Calendar 2022 was another period of record growth, profitability, and free cash flow, as we successfully navigated volatility in the marketplace, effectively responding to record demand while driving KLA’s market leadership in some of the largest and fastest-growing markets within the Wafer Fab Equipment (WFE) industry. Through it all, we remained focused on delivering to customer requirements, delivering on our financial model, and driving strong returns to shareholders in a dynamic industry demand environment.

Revenue grew 28% in 2022 to \$10.5 billion, marking the seventh consecutive year of growth. KLA’s strong revenue growth in 2022 was driven by 36% growth in Semiconductor Process Control systems. In total (including Systems and Services), the Semiconductor Process Control Segment grew 32% in the year. Revenue from the Services business grew 15% in calendar 2022, with over 75% of the revenue generated from recurring “subscription-like” contracts, reflecting the growing value of advanced process control systems and Services in our product portfolio.

A Year In Review – CY22 Marked 7th Consecutive Year of Growth



Strong Growth Demonstrating Market Leadership and the Critical Nature of Process Control

* Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP. Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. * Diluted net income per share is computed independently for each of the quarters presented based on the weighted average fully diluted shares outstanding for each quarter. Therefore, the sum of quarterly diluted net income per share information may not equal annual (or other multiple-quarter calculations of) diluted net income per share.

KLA also demonstrated strong operating leverage on our revenue growth in 2022, with non-GAAP operating profit growing 31% in the year. Non-GAAP incremental operating margin on the revenue growth in 2022 was 46%, consistent with our target operating leverage model of 40% to 50%.

Free cash flow also grew a healthy 18% in 2022 to a record \$3 billion, with free cash flow growth in calendar 2022 exceeding our long-term target growth rate of 15%. KLA’s consistent, strong free cash flow generation consistently ranks the company among the top tier of public companies, placing KLA

in the top tier of the S&P 500 by this metric, according to our calculations. Consistent with our long-term strategic objectives, KLA delivered on our ongoing commitment to return value to shareholders, including our 13th consecutive dividend increase announced in June 2022. Also in June, we announced an additional \$6 billion share repurchase program, of which \$3 billion was executed through an Accelerated Share Repurchase that was completed in December 2022. Total returns to shareholders in 2022 (including dividends and share repurchases) were \$5.2 billion, or approximately 173% of free cash flow.

KLA's market-leading revenue, profitability, and cash flow growth demonstrate consistent execution with a focus on driving KLA's market leadership across our business through customer adoption of KLA solutions in the critical markets we serve.

December Quarter 2022 Highlights

Revenue of \$2.98 billion finished above the guidance range and grew 27% on a year-over-year basis and 10% sequentially. Quarterly Non-GAAP Net Income was \$1.05 billion. GAAP diluted Earnings Per Share (EPS) was \$6.89, and non-GAAP diluted EPS was \$7.38, with each finishing above the midpoint of the guidance ranges.

Customer demand in the Semiconductor Process Control and Specialty Semiconductor Process Segments was strong throughout the quarter, reflecting KLA's strength in critical WFE markets enabling the development of advanced semiconductor device technologies in our customers' long-term product roadmaps. While headwinds related to the global macro economy have impacted semiconductor revenue growth in the near-term, semiconductors have become pervasive across the global economy, resulting in more balanced and diversified demand. This demand has pressured the industry's ability to deliver semiconductors across multiple technology nodes, including numerous leading-edge and legacy nodes. Process Control plays a critical enabling role in our customers' ability to execute these node and technology transitions.

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

Semiconductor Industry Demand Environment

The Semiconductor industry has evolved to be more strategic, possessing a more balanced and diversified end-market mix, with growth coming from the increasingly critical nature of semiconductors worldwide. 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 we begin 2023, it is clear that this will be a year of industry capacity adjustments, as the macro-driven slowdown and resultant increase in excess product inventories across multiple end markets are having an impact on semiconductor device demand. As a result, customers are adjusting their capex plans for calendar 2023 to reflect this lower end demand.

Long-Term Secular Drivers Demonstrate Strategic Value of Semiconductors

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.

Semiconductor Device Manufacturers Reducing Near-Term Capex Plans in Response to Market Conditions

The Semiconductor industry is facing a combination of factors, including inflation, a weakening global economy, 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 taking steps to adjust factory utilizations and reduce capacity investment plans. Despite these near-term headwinds, semiconductor producers continue to prioritize investments in R&D of next generation technologies.

Customer R&D Investment Remains a Top Priority for Capex Investment

As the market leader in Process Control, KLA plays a critical role in enabling technology transitions in advanced semiconductor manufacturing. 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 advanced semiconductor device R&D, faster yield ramps and higher, more stable yields in production. Calendar 2022 was a year of strong relative performance for KLA vs. the WFE industry, demonstrating the critical nature of Process Control and KLA's market leadership.

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

Top 5 Highlights for the December Quarter and Calendar 2022

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 fuels our growth. As a result, KLA substantially outperformed overall WFE market growth in calendar 2022. Looking ahead, though capacity absorption is expected, our leadership in critical markets such as wafer and reticle inspection are expected to demonstrate resiliency in a year of contraction in overall WFE demand.

Second, our Patterning systems revenue grew 17% sequentially and was up 69% on a year-over-year basis, driven by continued strong EUV mask shop inspection growth in 5nm and below applications, as well as growth in mask shop and wafer fab applications in mature nodes. KLA's reticle inspection business plays a critical role in quality control during the manufacturing of DUV and EUV reticles, and ongoing monitoring to ensure reticle fidelity in high-volume wafer manufacturing. We expect KLA's strong reticle inspection growth in calendar 2022 to be reflected in expanding market leadership in this key enabling market for advanced semiconductor technology development.

Third, KLA delivered record revenue and the 10th consecutive quarter of sequential growth in our Specialty Semiconductor Process segment, demonstrating resiliency and expanding market opportunity. 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 14% year-over-year in the December quarter and was up 15% on a full-year basis in calendar 2022, just above the 12% to 14% long-term revenue growth target despite headwinds from U.S. dollar strength versus other currencies and the negative effect of U.S. government export restrictions. Services is driven by our growing installed base, 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 December quarter was another exceptional period from a capital returns perspective, as we completed the \$3 billion Accelerated Share Repurchase component of the \$6 billion share repurchase authorization announced back in June. We generated free cash flow of \$595 million in the December quarter, for a free cash flow margin of 20%. For the 12 months ended December 31, 2022, total free cash flow grew 18% and was \$3 billion, or 28% of total revenue for the year.

Total capital return in the December quarter was \$539 million, comprised of \$355 million in share repurchases and \$184 million in dividends paid. Total capital return over the 12 months ended December 31 was \$5.2 billion, or 173% of free cash flow, and included \$4.5 billion in share repurchases and \$689 million in dividends.

December Quarter and Calendar 2022 Business Highlights

- 1 KLA's Strong Relative Performance in CY22 Driven by Execution and Market Leadership**
KLA continues to deliver strong relative outperformance versus peers, as market leadership in some of the largest and fastest-growing markets in WFE fuels growth. As a result, KLA substantially outperformed overall WFE market growth in CY22. Looking ahead, the stage is set for another year of relative strength for KLA in CY23, as KLA's leadership in critical markets such as optical wafer inspection and reticle inspection are positioned to demonstrate resiliency in a year of contraction in overall WFE demand.
- 2 Record Demand for KLA's Reticle Inspection Portfolio Drives Strong Patterning Systems Growth in CY22**
KLA's reticle inspection business plays a critical role in quality control during manufacturing of both DUV and EUV reticles, and ongoing monitoring to ensure reticle fidelity in high-volume wafer manufacturing. We expect KLA's strong reticle inspection growth in CY22 to be reflected in expanding market leadership in this key enabling market for advanced semiconductor technology development for future periods.
- 3 10th Consecutive Quarter of Growth and Record Quarterly Revenue for Specialty Semiconductor Segment**
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.
- 4 Services Business Delivers Consistent, Strong Growth in CY22, Demonstrating Durability and Resiliency**
Services is driven by our growing installed base, 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.
- 5 KLA Completes \$3 Billion Accelerated Share Repurchase; Total Capital Returns Topped \$5 Billion in CY22**
Total capital return over the 12 months ended December 31 were \$5.2 billion, or 173% of free cash flow, and included \$4.5 billion in share repurchases and \$689 million in dividends. We completed the \$3 billion Accelerated Share Repurchase (ASR) announced late in Q2 of CY22. Total capital return in Q4 was \$539 million, comprised of \$355 million in share repurchases and \$184 million in dividends paid.

KLA's December quarter and calendar 2022 results and strong relative performance once again highlight the critical nature of KLA's products and services in enabling the digital transformation of 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 over the past few years, 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 June 2022 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 industry 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, 5G, and IoT is also essential to help deliver new capabilities.

KLA's Priorities in Calendar 2023

Before discussing the financials for the December quarter, we'd like to outline three key priorities for KLA in calendar 2023. As always, the KLA Operating model will inform and guide our focus.

- As always, our first priority is to continue to support our customers, both in terms of meeting customer commitments for product delivery and support, but also through our sustained high levels of investment in R&D to drive new innovation in our product roadmap, as well as in our continued focus on market leadership. Historically, downturns have been periods in which KLA has gained market share, and we are working hard to ensure the same result in the current environment.
- Our second priority is to stabilize our spending levels, which have been growing over the past several years supporting the rapid pace of industry growth we have been experiencing. Our focus now is on consolidating that spending and moderating investment levels to reflect the changing business environment. However, KLA is still committed to maintaining R&D investments to drive market leadership and support our technology and product development roadmaps. Our expectation is for R&D investment to grow in calendar 2023.
- Our third priority in calendar 2023 is to develop our workforce. KLA has been on a strong pace of hiring in the last couple of years, and our total headcount has grown to roughly 15,000 employees to support unprecedented levels of customer demand. We will now turn our attention to training and developing our workforce, focusing on increasing productivity and optimizing employee footprint worldwide.

KLA's Priorities in Calendar 2023



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 increasingly diverse products and services offerings. 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

December Quarter Financial Highlights

KLA’s December quarter results were strong and demonstrated consistent execution by the global KLA team. While supply chain challenges continue to impact certain products, we continue to demonstrate resourcefulness and the ability to adapt to meet customer requirements.

\$2,984M
Revenue

61.0%
Gross Margin*

42.4%
Operating Margin*

\$1,048M
Net Income*

392x or “Gen5”: The market leading broadband plasma (BBP) optical patterned wafer inspection system



\$7.38
Diluted EPS*

\$6.89
GAAP Diluted EPS

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

Quarterly revenue was \$2.98 billion, \$184 million above the midpoint of guidance and just above the guided range of \$2.65 to \$2.95 billion. Revenue outperformance in the December quarter was driven primarily by KLA’s Broadband Plasma Optical Patterned Wafer Inspection and Mask Inspection systems, resulting from favorable mitigation of identified supply chain risks as we moved through the quarter.

Non-GAAP diluted EPS was \$7.38, above the midpoint of the guided range of \$6.30 to \$7.70. GAAP diluted EPS was also above the midpoint of guidance at \$6.89.

Non-GAAP gross margin was 61% and just below the guidance range of 61.5% to 63.5% due to the impact of increasing non-cash inventory reserves taken in the quarter as we adjusted our factory output expectations and supply chain commitments to the current outlook which has weakened at an accelerated pace over the past several months. These reserves were primarily taken against high-volume products and are consistent with shifting customer delivery dates and resulting backlog adjustments in the quarter. Given the diversification of end demand across technology nodes, the extendibility of our product platforms, and the expectations for growth in our Services business, it is likely that we will realize a benefit from releasing these reserves over time when industry growth resumes. We estimate that these adjustments had a roughly 200 basis point impact on GAAP and non-GAAP gross margin compared to what would have been assessed in a normalized industry environment. This impact was offset somewhat by higher business volume and a strong product mix realized in the quarter.

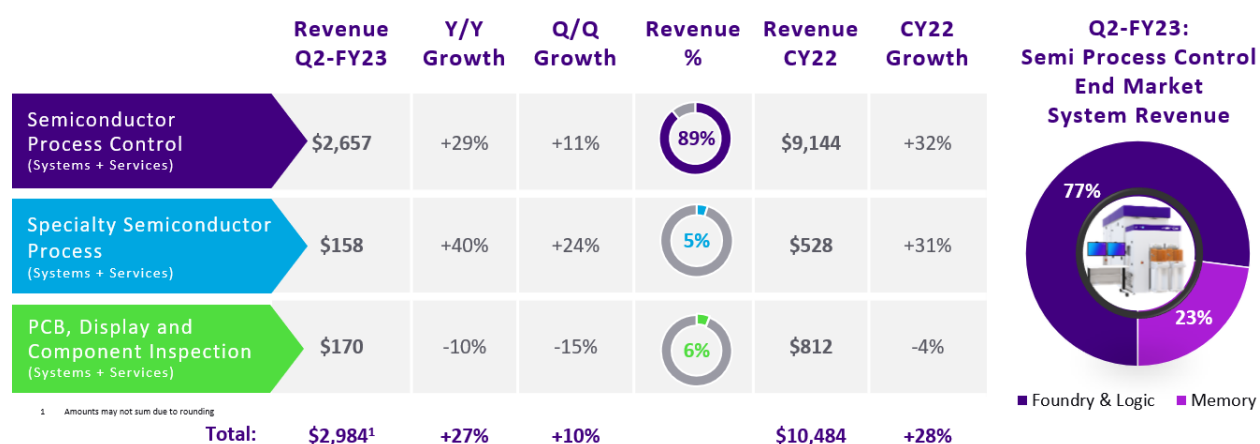
Non-GAAP operating expenses were \$555 million, slightly above our estimated \$550 million for the quarter. Non-GAAP operating expenses comprised of \$332 million in R&D and \$223 million in SG&A.

Non-GAAP operating margin was 42.4%. Other income and expense, net, was \$56 million, compared with guidance of \$66 million with the upside coming from a mark-to-market benefit of \$6 million from a strategic supply equity investment. The quarterly effective tax rate was 13.4%.

Quarterly Non-GAAP net income was \$1.05 billion, GAAP net income was \$979 million, cash flow from operations was \$688 million, and free cash flow was \$595 million. The company had approximately 142 million diluted weighted average shares outstanding at quarter end.

Breakdown of Revenue by Reportable Segments and End Markets

Revenue for the Semiconductor Process Control segment for the December quarter, including its associated Services business, was \$2.7 billion, up 29% year-over-year and up 11% sequentially. For calendar 2022, the Semiconductor Process Control Systems and Services segment grew 32%, compared with estimated WFE market growth in the high single digits during the same period. The Semiconductor Process Control system customer segment mix for Foundry/Logic customers was approximately 77% in the quarter. Memory was approximately 23%.

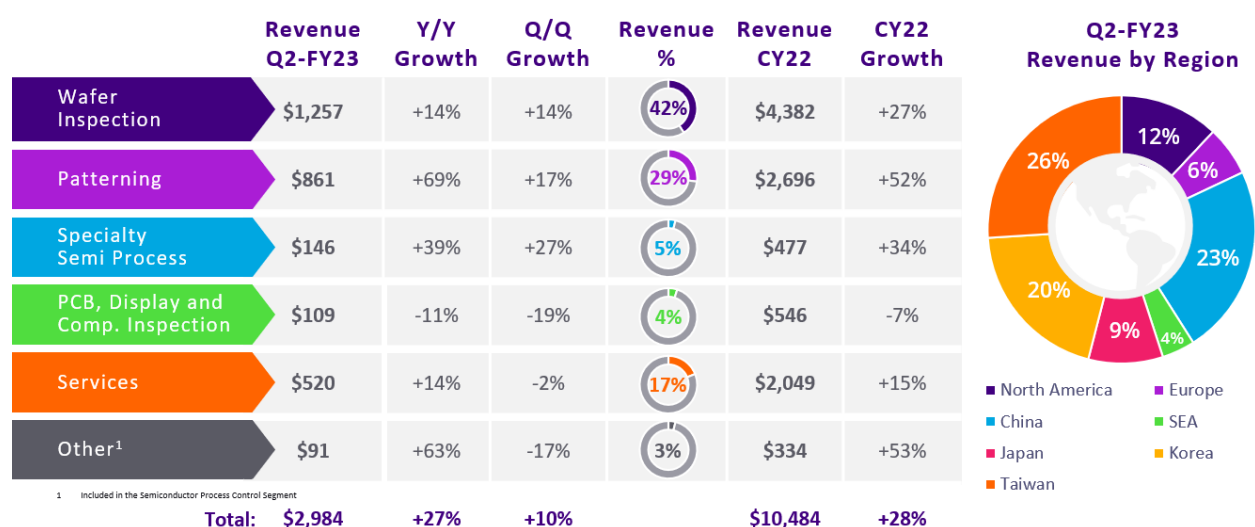


Revenue for our EPC group is driven by demand in automotive, 5G, and advanced packaging. Within EPC, the Specialty Semiconductor Process segment, which includes its associated Services business, generated record quarterly revenue of \$158 million, up 40% over the prior year and up 24% sequentially. Specialty Semiconductor Process Systems and Services outpaced its industry growing 31% in calendar 2022. PCB, Display and Component Inspection revenue was \$170 million, down 10% year-over-year and down 15% on a sequential basis. This segment was down 4% in the year, reflecting weakness in consumer electronics end markets.

Breakdown of Revenue by Major Products and Regions

Wafer Inspection systems grew 14%, both sequentially and on a year-over-year basis in the December quarter, and was 42% of total revenue in the December quarter. For calendar 2022, Wafer Inspection systems grew 27%. KLA’s strong Wafer Inspection results reflect the critical nature of the advanced Optical Patterned Inspection market and KLA’s strength in this market which remains one of the largest and fastest-growing segments of WFE above \$1 billion in annual revenue over the past three years. In fact, its three-year CAGR is greater than 1.6x the overall WFE growth rate.

Patterning systems, which include metrology and reticle inspection, were up 69% compared with the fourth quarter of CY21 and up 17% on a sequential basis, and was 29% of total revenue in the December quarter. In calendar 2022, patterning systems grew 52% largely driven by strong customer adoption of KLA’s advanced reticle inspection products for both EUV and DUV applications. KLA is driving broad adoption of advanced Reticle Inspection technologies as these tools are on the critical path in enabling the growing adoption of EUV in next-generation devices.



Specialty Semiconductor Process systems grew 34% in calendar 2022 and in the December quarter, were up 39% on a year-over-year basis and 27% sequentially to be 5% of total revenue. PCB, Display and Component Inspection systems revenue was down 7% for calendar 2022, and also down 11% compared to the December 2021 quarter, and was down 19% sequentially to 4% of total revenue in the December quarter.

Services grew 15% in calendar 2022 and 14% from a year ago levels on a quarterly basis. Service revenue was down 2% sequentially reflecting the impact of U.S. Government trade regulations

impacting customers in China, and was 17% of total revenue in the quarter. Other, which is consolidated into the Semiconductor Process Control segment, was 3% of total revenue.

The December quarter regional revenue split was as follows: Taiwan was 26% and China was 23%. Within our Semi Process Control segment, business to native China amounted to roughly 19% of total revenue. Korea was 20% and North America was another 12%. Other regions that accounted for less than 10% of revenue included Japan at 9%, Europe at 6%, and the rest of Asia at 4%.

Strong Investment Grade Balance Sheet

KLA ended the quarter with \$2.9 billion in total cash, cash equivalents and marketable securities, debt of \$6.1 billion, a reduction of \$200 million in the quarter, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three agencies. KLA's balance sheet offers a unique capability to fund our growth strategies, organic and inorganic, and provide ongoing attractive capital returns to shareholders.

Balance Sheet Summary¹ (\$M)

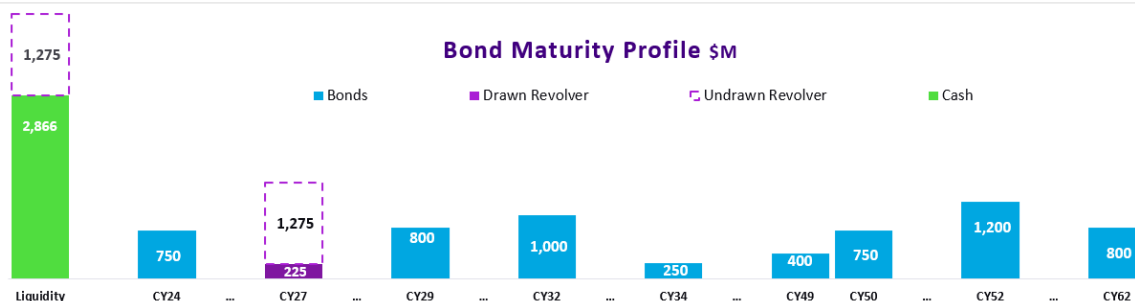
Total Cash ²	\$ 2,866
Working Capital	\$ 4,650
Total Assets	\$ 13,729
Debt ³	\$ 6,114
Total Shareholders' Equity	\$ 2,603

Bond Maturity Profile

Bonds Outstanding	\$5.95B
Weighted Average Rate	4.64%
Weighted Average Maturity	19.6 years

Investment Grade Credit Ratings

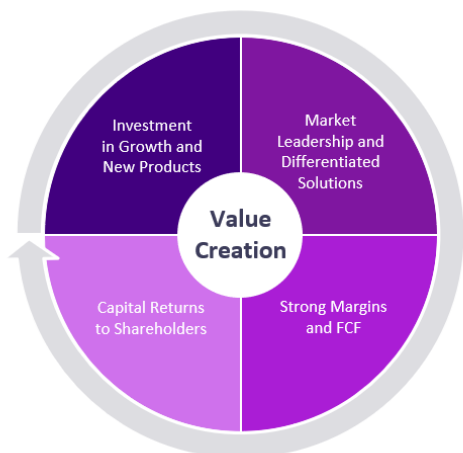
Moody's	A2
S&P	A-
Fitch	A-



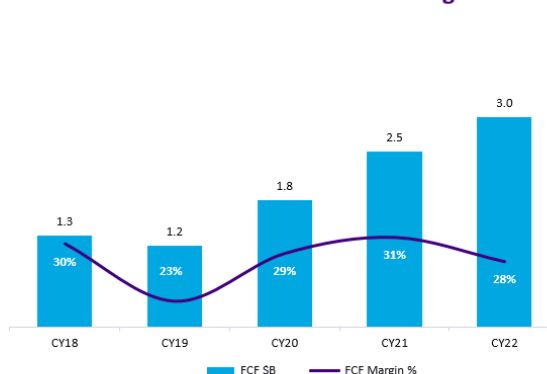
¹ As of 12/31/22; ² Total Cash includes Cash, Cash Equivalents and Marketable Securities; ³ Includes \$225M in revolving credit facility (Revolver) drawings less \$61M in un-amortized debt issuance discounts and costs.

FCF Generation Fuels Consistent Capital Return to Shareholders

As demonstrated by our calendar 2026 financial targets and the capital returns actions announced at our June 2022 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. This strategy underscores our strong track record of predictable and assertive capital deployment and remains an important differentiating element of the KLA investment thesis.



Free Cash Flow¹ and FCF Margin²

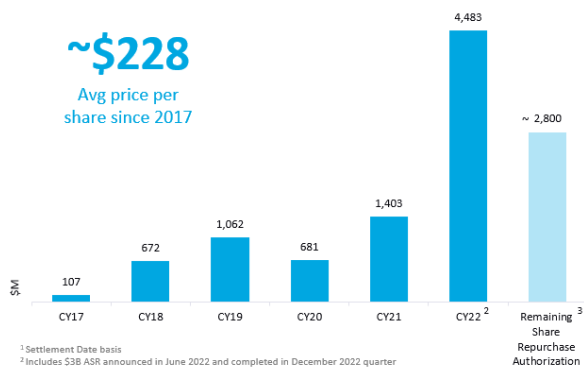


¹ Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
² FCF Margin defined as FCF/Revenue; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP

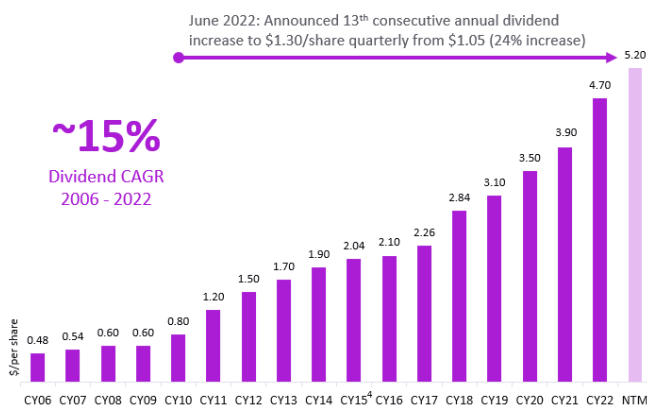
Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases¹



Track Record of Dividend Increases



¹ Settlement Date basis
² Includes \$38 ASR announced in June 2022 and completed in December 2022 quarter
³ Includes the remaining amount of the \$6B repurchase authorization announced June 2022
⁴ Excludes \$16.50 per share special dividend in CY15

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. In the quarter, we completed the \$3 billion Accelerated Stock Repurchase (ASR) announced in late June, repurchasing 9 million shares of stock over the past 6 months at an average price of \$334. We also repurchased an additional \$355 million in the quarter.

\$595M

Dec Quarter
Free Cash Flow*

20%

Dec Quarter
Free FCF Margin*

57%

Dec Quarter
FCF Conversion*



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

\$355M

Dec Quarter
Share Buyback

\$4,483M

LTM Share Buyback ¹

\$184M

Dec Quarter
Dividends Paid

\$689M

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 pursuant to Forward Contract for Accelerated Share Repurchases – Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

Calendar 2023 Outlook

Looking ahead to calendar 2023, we expect industry spending to slow, with the continued expectation for CY23 WFE demand to be down approximately 20% in the year, down from \$94 - \$95 billion in CY22, due to increasing global macro-economic concerns highlighted by our customers in most end-markets and widely reported customer capex expectations. 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, with DRAM down more than NAND, 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 with leading-edge investment declining less than legacy.

KLA's unique broad portfolio differentiation and primary value proposition are focused on enabling technology transitions which our customers continue to invest in regardless of the business environment. While capacity plans can change, technology roadmap investment tends to be more resilient and aligns with KLA's highest value product offerings where we continue to have supply chain constraints inhibiting our ability to add the additional volume to meet current demand. This demand adds additional confidence in our business expectations as customers align shipment slots with roadmap requirements. In this industry environment, we will continue to focus on meeting customer requirements, maintain a high level of investment in R&D to advance our product roadmaps and KLA's market leadership, and align our operating structure with top-line expectations which we expect to be in-line or better on a relative basis while delivering strong relative financial performance.

March 2023 Quarterly Guidance

Our March quarter guidance is as follows: total revenue is expected to be \$2.35 billion, plus or minus \$150 million. Foundry/Logic is forecasted to be approximately 85%, and Memory is expected to be around 15% of Semi PC systems revenue. Within Memory, DRAM is expected to be about 71% of the segment mix and NAND 29%.

We forecast non-GAAP gross margin to be in a range of 60.5% to 62.5% as product/segment mix and lower volumes dilute gross margins versus the 2022 baseline in the quarter. Based on current market demand assessments, we do not expect incremental inventory reserve requirements to be a factor in the quarter.

For calendar 2023, based on our current industry outlook and the impact on overall volume, segment contribution, and product mix within the Semiconductor Process Control group, we are modeling gross margins to be greater than 60%, with variability quarter-to-quarter attributable to product mix fluctuations.

Operating expenses will decline in the March quarter to approximately \$545 million. For calendar 2023, KLA will continue to balance investments in technology, headcount, and infrastructure to support our long-term growth objectives while managing the business against the expectation of a softening near-term outlook. As a result, we expect quarterly operating expense levels to decline as we move through the balance of the year.

Other model assumptions for the March quarter include: other income and expense, net, of approximately \$62 million, and an effective tax rate of approximately 13.5%. Based on our current assessment of geographic revenue and profit expectations, you should continue to use 13.5% as the tax planning rate for calendar 2023. Finally, GAAP diluted EPS is expected to be in the range of \$4.06 to \$5.46, and non-GAAP diluted EPS in a range of \$4.52 to \$5.92. EPS guidance is based on a fully diluted share count of approximately 139 million shares.

Guidance for Q3 FY2023 – March 2023 Quarter

March 2023 Quarter Guidance		
Revenue	\$2,200M to \$2,500M	Macro Assumptions Semi PC Revenue By End Market <ul style="list-style-type: none"> Foundry/Logic: 85% Memory: 15% Model Assumptions <ul style="list-style-type: none"> Non-GAAP Operating Expenses*: ~\$545M Other Income & Expense (OIE)*, Net: ~\$62M Effective Tax Rate: ~13.5% Diluted Share Count: ~139M
Non-GAAP Gross Margin*	60.5% to 62.5%	
GAAP Diluted EPS	\$4.06 to \$5.46	
Diluted EPS*	\$4.52 to \$5.92	
<small>* Non-GAAP metric – Refer to Appendix for Reconciliation to GAAP</small>		
Driving profitable growth and delivering shareholder value		

In Conclusion

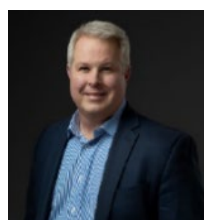
While calendar 2023 will be a year of contraction after three strong years of growth, we remain confident that the secular trends outlined at our investor day last June are driving long-term Semiconductor industry demand, and investments in WFE are durable and compelling. Broad-based customer demand across multiple production nodes, the increasingly strategic role semiconductors play in influencing national industrial policy, a robust design environment at the leading edge, and 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, we have a strong historical track record of delivering relative outperformance across industry cycles. To be competitive over the long run, our customers must continue to invest in product roadmaps irrespective of market conditions. Furthermore, KLA Services has continued to grow consistently over multiple decades due to the critical nature of KLA products to improving yield learning and driving fab productivity. Our operational execution, coupled with the power of our portfolio strategy, positions us to continue to deliver sustainable relative performance over the next several years. We will continue to maintain a high level of R&D investment in our product development roadmaps to enable market share expansion, support customers' technology roadmaps, and multi-year fab 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 well 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, consistent, industry-leading financial performance, and growing capital returns to shareholders.

Sincerely,



Rick Wallace
CEO



Bren Higgins
CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

<i>(In millions, except per share amounts)</i>	For the three months ended		For the twelve months ended	
	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2021
GAAP net income attributable to KLA	\$ 978.8	\$ 3,540.7	\$ 2,986.3	
Adjustments to reconcile GAAP net income to non-GAAP net income*				
Acquisition-related charges	a	66.7	266.3	220.5
Restructuring, severance and other charges	b	-	0.2	(0.1)
Debt extinguishment loss	c	-	13.3	-
Income tax effect of non-GAAP adjustments	d	(19.3)	(84.8)	(71.2)
Discrete tax items	e	21.5	(39.0)	(290.3)
Non-GAAP net income attributable to KLA	\$ 1,047.7	\$ 3,696.6	\$ 2,845.2	
GAAP diluted EPS	\$ 6.89	\$ 24.22	\$ 19.42	
Non-GAAP diluted EPS	\$ 7.38	\$ 25.28	\$ 18.50	
Shares used in diluted shares calculation	142.0	146.2	153.8	
GAAP gross profit	\$ 1,775.1	\$ 6,363.1	\$ 4,962.1	
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*				
Acquisition-related charges	a	45.4	177.4	163.0
Restructuring, severance and other charges	b	-	-	0.2
Non-GAAP gross profit	\$ 1,820.5	\$ 6,540.5	\$ 5,125.3	
GAAP gross margin	59.5%	60.7%	60.8%	
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*				
Acquisition-related charges	a	1.5%	1.7%	2.0%
Non-GAAP gross margin	61.0%	62.4%	62.8%	

	For the three months ended		For the twelve months ended	
	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2021
GAAP operating income (1)	\$ 1,199.2	\$ 4,179.3	\$ 3,176.7	
Adjustments to reconcile GAAP operating income to non-GAAP operating income*				
Acquisition-related charges	a	66.7	266.3	220.5
Restructuring, severance and other charges	b	-	16.2	4.3
Non-GAAP operating income (1)	\$ 1,265.9	\$ 4,461.8	\$ 3,401.5	
GAAP operating margin	40.2%	39.9%	38.9%	
Non-GAAP operating margin	42.4%	42.6%	41.7%	
GAAP incremental operating margin on the revenue growth in 2022 (2)			43.3%	
Acquisition-related charges			2.0%	
Restructuring, severance and other charges			0.5%	
Non-GAAP incremental operating margin on the revenue growth in 2022 (2)			45.7%	
Revenue		\$ 10,483.7	\$ 8,165.7	
GAAP research and development ("R&D") expenses	\$ 332.8			
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*				
Acquisition-related charges	a	\$ (0.7)		
Non-GAAP R&D expenses	\$ 332.1			
GAAP selling, general and administrative ("SG&A") expenses (1)	\$ 243.1			
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*				
Acquisition-related charges	a	\$ (20.5)		
Non-GAAP SG&A expenses (1)	\$ 222.6			
GAAP Other expense (income), net	\$ (18.1)			
Non-GAAP Other expense (income), net	\$ (18.1)			

Amounts may not sum due to rounding

(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 expense associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter ended December 31, 2022 was \$11.9 million. The gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended December 31, 2022 was \$11.9 million.

(2) Incremental operating margin on revenue growth is calculated as the change in operating income divided by the change in revenue.

* 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	<i>(Dollars in millions)</i>	For the three months ended		For the twelve months ended				
		Dec 31, 2022		Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	\$	688.3	\$ 3,337.9	\$ 2,786.4	\$ 1,968.1	\$ 1,373.0	\$ 1,389.7	
Less Capital expenditures	\$	(93.6)	\$ (351.5)	\$ (250.4)	\$ (200.3)	\$ (149.2)	\$ (86.5)	
Free Cash Flow	\$	594.6	\$ 2,986.5	\$ 2,536.0	\$ 1,767.8	\$ 1,223.8	\$ 1,303.2	
Free cash flow	\$	594.6	\$ 2,986.5	\$ 2,536.0	\$ 1,767.8	\$ 1,223.8	\$ 1,303.2	
Revenue	\$	2,983.9	\$ 10,483.7	\$ 8,165.7	\$ 6,073.0	\$ 5,278.6	\$ 4,304.5	
Free Cash Flow Margin		19.9%	28.5%	31.1%	29.1%	23.2%	30.3%	
Free Cash Flow Conversion calculation								
Free cash flow	\$	594.6						
Non-GAAP net income attributable to KLA	\$	1,047.7						
Free Cash Flow Conversion		56.6%						
GAAP metric comparable to Free Cash Flow Conversion								
Net cash provided by operating activities	\$	688.3						
GAAP net income attributable to KLA	\$	978.8						
GAAP metric comparable to Free Cash Flow Conversion		70.3%						
Cash paid for dividends	\$	184.2	\$ 688.8					
Cash paid for share repurchases	\$	355.0	\$ 3,583.1					
Cash paid for forward contract	\$	-	\$ 900.0					
Capital Returns	\$	539.2	\$ 5,171.9					
Capital Returns as a percentage of Free Cash Flow			173.2%					

Amounts may not sum due to rounding

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.

Reconciliation of Guidance

Q3 FY2023 Guidance Range:

<i>(Dollars in millions except per share amounts)</i>		
	Low	High
GAAP diluted net income per share	\$ 4.06	\$ 5.46
Acquisition-related charges	a 0.49	0.49
Restructuring, severance and other charges	b 0.14	0.14
Income tax effect of non-GAAP adjustments	d (0.17)	(0.17)
Non-GAAP diluted net income per share	\$ 4.52	\$ 5.92
Shares used in net income per diluted shares calculation	138.8	138.8
GAAP gross margin	58.0%	60.3%
Acquisition-related charges	a 2.0%	1.8%
Restructuring, severance and other charges	b 0.5%	0.4%
Non-GAAP gross margin	60.5%	62.5%
GAAP operating expenses	\$ 572	\$ 584
Acquisition-related charges	a (23)	(23)
Restructuring, severance and other charges	b (10)	(10)
Non-GAAP operating expenses	\$ 539	\$ 551

Note: The guidance as of January 26, 2023 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.

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 gross margin and free cash flow, 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 performance 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, transaction costs associated with our acquisitions and dispositions, as well as intangible asset impairment charges.
- b) Restructuring, severance and other charges primarily include costs associated with employee severance, charges related to liquidation of legal entities, gains and losses from exiting non-core businesses, interest expense on unrecognized tax benefits, adjustments related to non-controlling interest and other exit costs. Calendar year 2022 also includes certain transaction bonuses triggered by the sale of Orbograph Ltd.
- 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 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.



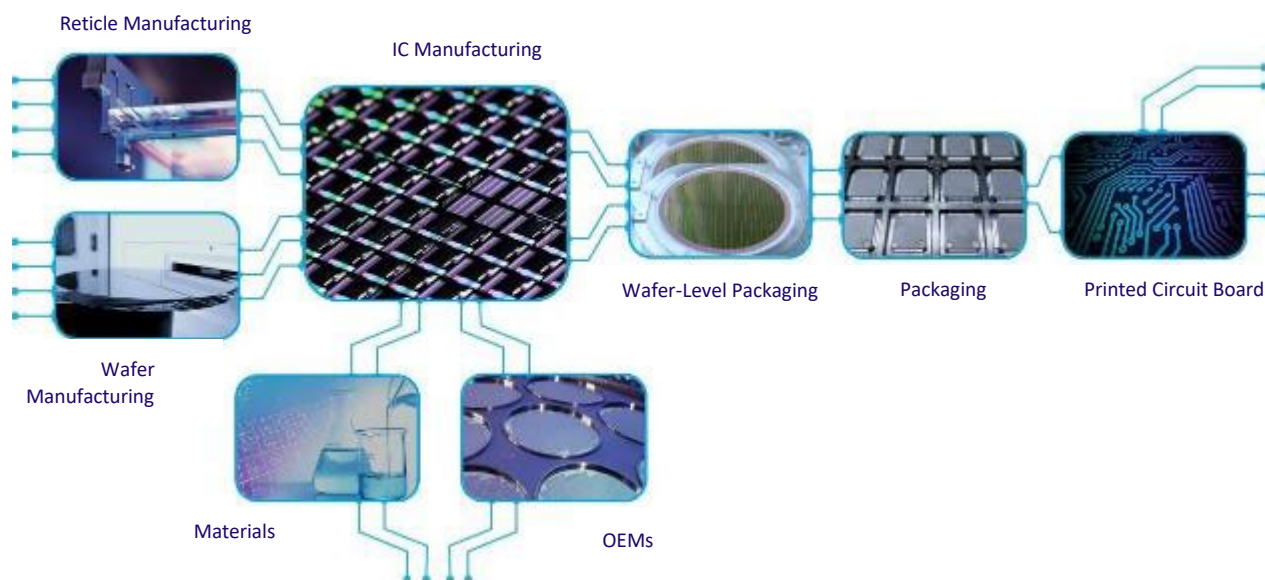
KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

Semiconductor Manufacturing

- IC Manufacturing
- Wafer Manufacturing
- Reticle Manufacturing
- IC Packaging
- Printed Circuit Board

Related Electronics Industries

- Compound Semiconductor
- Power Device
- LED
- MEMS
- Data Storage/Media Head
- Flat Panel Display
- General Purpose/Labs



Investor Contact:

Kevin Kessel, CFA
 VP, Investor Relations & Market Analytics
kevin.kessel@kla.com
 408-875-6627

Media Contact:

Randi Polanich
 VP, Chief Communications Officer
randi.polanich@kla.com
 408-875-6633

Note on Forward-Looking Statements

Statements in this letter other than historical facts, such as statements pertaining to: (i) future industry demand for semiconductors and WFE; (ii) future development of regulatory landscape; (iii) our market position for the future; (iv) our forecast of financial measures for the following quarter and 2023; (v) our long-term financial targets and underlying assumptions; (vi) our future investment plan on R&D, technology and infrastructure; and (vii) future shareholder returns, 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, 2022, 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