

The logo for KLA+ Earnings. It features the letters 'KLA' in a dark blue, sans-serif font. To the right of 'KLA' is a blue square containing a white plus sign. To the right of the square is the word 'Earnings' in a dark blue, sans-serif font.

KLA+ Earnings

Q4 Fiscal 2021

(Quarter Ended June 30, 2021)

July 29, 2021

Forward-Looking Statements

Statements in this presentation other than historical facts, such as statements pertaining to: (i) growth rates for 2021; (ii) our ability to meet or exceed our 2023 financial targets ahead of expectations; (iii) continued improvement of industry demand for semiconductors and WFE; (iv) foundry/logic strength with our customers increasing their demand forecast in 2021; (v) the forecast of Optical Patterned Wafer Inspection to be among the fastest-growing segments in WFE; (vi) our flagship reticle inspection business being on pace for a record year in 2021; (vii) continued improvement of revenue throughout calendar year 2021; (viii) levels of business activity in the quarter ending September 30, 2021 and for calendar 2021; (ix) future capital returns to shareholders; (x) our non-GAAP operating expenses for the quarter ending September 30, 2021 and near term budget; (xi) our effective tax planning rate for the quarter ending September 30, 2021; (xii) WFE growth in 2021 and demand levels across end markets; and (xiii) revenues, GAAP and non-GAAP gross margin and GAAP and non-GAAP diluted EPS for the quarter ending September 30, 2021 and revenues across customer segments in the quarter ending September 30, 2021; 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 future impacts of the COVID-19 pandemic; delays and disruptions in the supply chain; the demand for semiconductors; the financial condition of the global capital markets and the general macroeconomic environment; new and enhanced product and technology offerings by competitors; push-out of deliveries or cancellation of orders by customers; the ability of KLA's research and development teams to successfully innovate and develop technologies and products that are responsive to customer demands; KLA's ability to successfully manage its costs; market acceptance of KLA's existing and newly launched products; changing customer demands; and industry transitions. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this letter, 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 (including, but not limited to, the risk factors described therein). KLA Corporation assumes no obligation to, and does not currently intend to, update these forward-looking statements.

Strategic Overview and Highlights

Rick Wallace | Chief Executive Officer



Industry Demand Environment

Industry Demand Momentum Continues – Industry demand for semiconductors and WFE continues to improve. KLA benefitted with broad, diversified strength across each of our major markets, with all major product groups seeing sequential growth. KLA is revising up its CY21 WFE estimate to the low to mid 30's on percentage basis (up from in the low to mid 20's), with growth continuing into CY22.

Customer R&D Investment Remains Very Strategic & Resilient – KLA helps enable critical technology transitions across Foundry/Logic and Memory. As a result, our business is most levered to customers' strategic R&D investments and leading-edge product developments. As the world-wide market leader in Process Control, KLA is on the critical path to enable the implementation for all advanced technologies and improve yields.

Strong Secular Growth Drivers For Semiconductors – Regionalization of semiconductors can now be added to other strong existing secular growth drivers such as rising data center demand, the build out of 5G infrastructure and continued smartphone growth, the electrification of automotive, digital healthcare, work from home, virtual collaboration, remote learning, and digital entertainment. Semiconductors remain at the center of the digitization of more industries and related end-markets than ever before.

KLA is on Track to Exceed 2023 Financial Targets Well Ahead of Expectations

June Quarter 2021 Business Highlights

1



KLA Continues to Execute Well, Outperform Expectations, and Introduce New Products. We are benefitting from a strong industry demand environment across all our major product groups. In Foundry/Logic, we are seeing simultaneous investment across multiple nodes, with customers increasing their growth forecasts. In Memory, demand is strong and spread across a broader set of customers. During the quarter we announced four new products targeting the automotive semiconductor market.

2



KLA's Leadership in Optical Inspection is Helping to Drive Strong Relative Growth for our Semiconductor Process Control Segment. Industry analysts forecast Optical Inspection to be the fastest growing (> \$1 billion in revenue) segment in the WFE marketplace in 2021, outpacing overall industry growth by a factor of 2x. Fueled by new applications in our optical inspection portfolio and the success of new e-beam inspection offerings, we are seeing strong adoption of our market leading Process Control products. Our product portfolio strategy addresses a broad range of our customers' most complex technical challenges and is a unique differentiator for KLA.

3



KLA's Flagship Reticle Inspection Business is on Pace for a Record Year in 2021, growing faster than the market, and expanding our leadership. We estimate that nearly all 5nm reticles today are being inspected by KLA's systems. Leading edge reticle inspection is becoming increasingly challenging both in the mask shop and in production, and KLA continues to innovate and expand our portfolio to address these challenges. Our next-generation, e-beam-based "8XX" mask inspection platform has begun customer qualification for applications at 3nm and below.

4



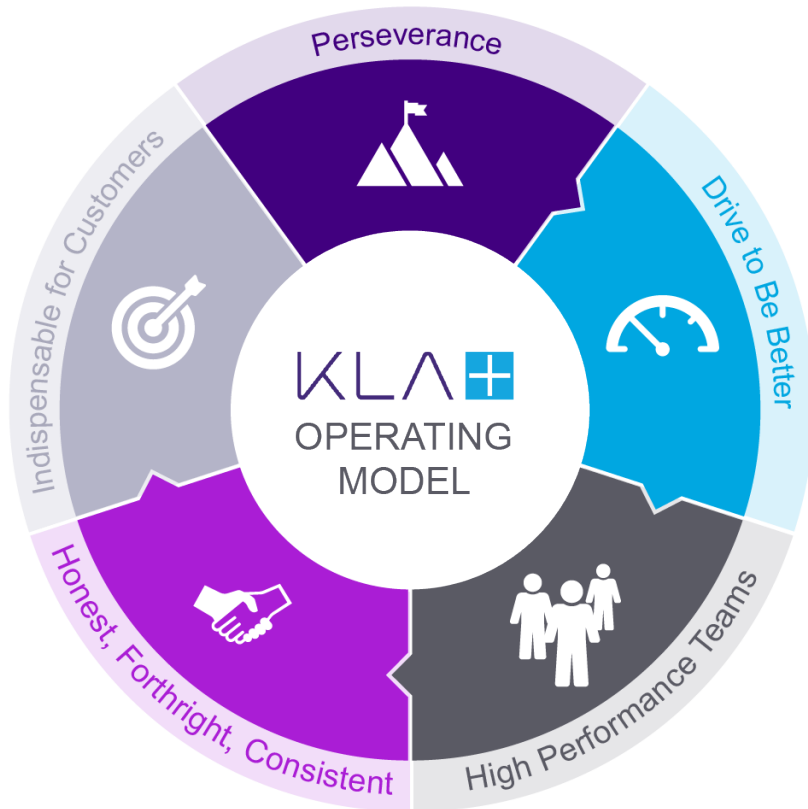
Services Double-Digit Growth Continues. Our Services business (23% of revenue) continues to perform well, and grew 15% year-over-year, above its targeted long-term growth rate of 9% to 11%. Improved long term growth in Service is being driven by a growing installed base, increasing complexity of our systems, tighter time to market requirements for our customers, and market expansion at trailing edge nodes. KLA's Service contract penetration rate has grown from approximately 70% to over 75% during the past year.

5



KLA's Board of Directors Approves 17% increase in Dividend Level and new \$2 Billion Share Repurchase Authorization. In keeping with our commitment to deliver strong and predictable capital returns to our shareholders, on July 29, we announced a 17% increase in the company's quarterly dividend level, from \$0.90 to \$1.05 per share. This is the twelfth consecutive increase in our dividend, which has grown at a compounded annual rate of 16% since inception in 2006. In addition, we announced a new \$2 billion share repurchase authorization. KLA's track record of delivering strong capital returns offers predictable and compelling value creation for our 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

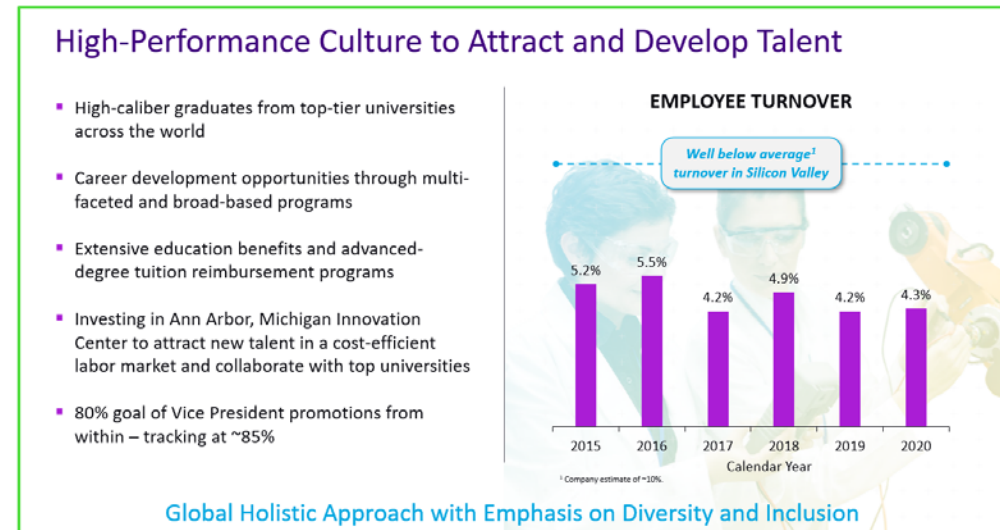
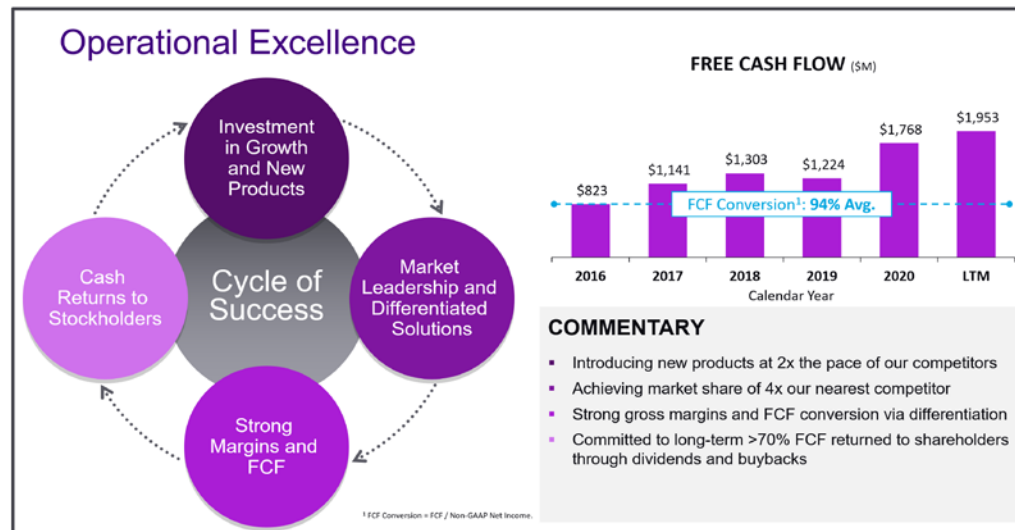
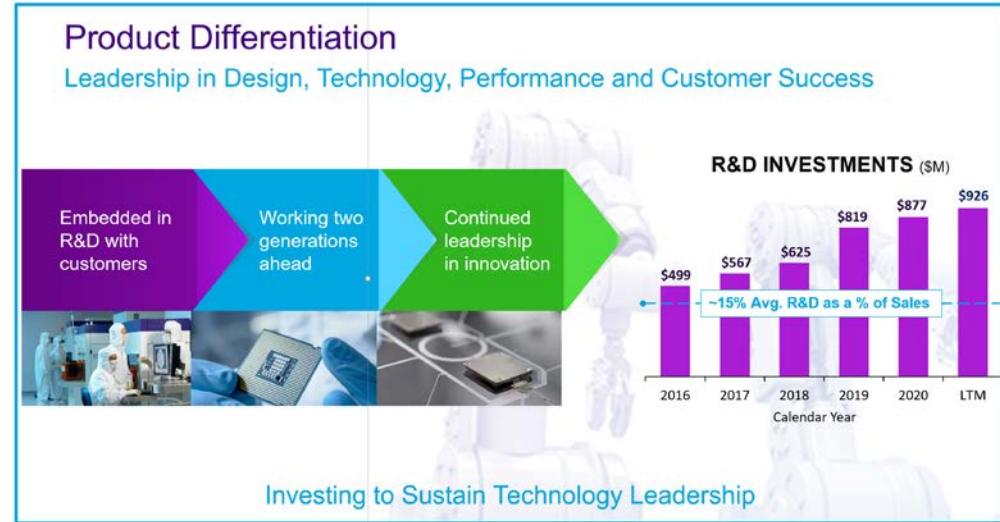
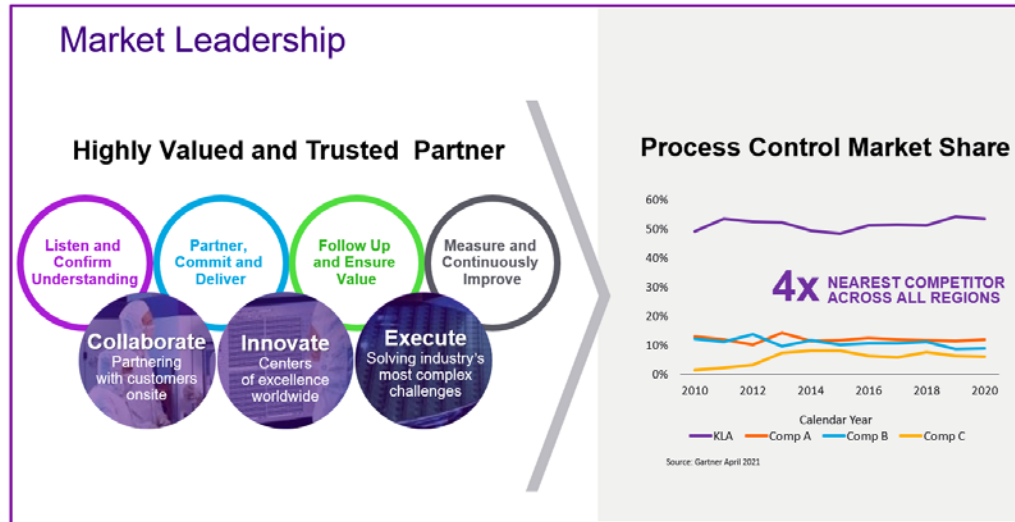
- Culture of performance and accountability
- Expectation of continuous improvement
- Superior margins driven by market leadership and differentiation

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

KLA's Four Strategic Objectives Serve As Our Guide



Sources: Industry data and Company estimates.

Business Performance and Guidance

Bren Higgins | Chief Financial Officer



June Quarter 2021 Financial Highlights

\$1.93B
Revenue

40.2%
Op. Margin*

\$684M
Net Income*

62.0%
Gross Margin*

\$410M
Free Cash Flow*

\$4.43
NON-GAAP EPS*

\$419M
Operating Expenses*

60.0%
FCF Conversion*

\$4.10
GAAP EPS

* Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP. Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures.

Innovate to Differentiate

Product Differentiation

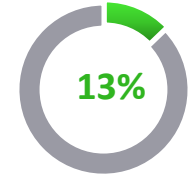
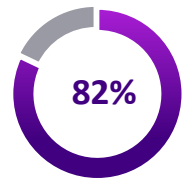
Leadership in Design, Technology, Performance and Customer Success



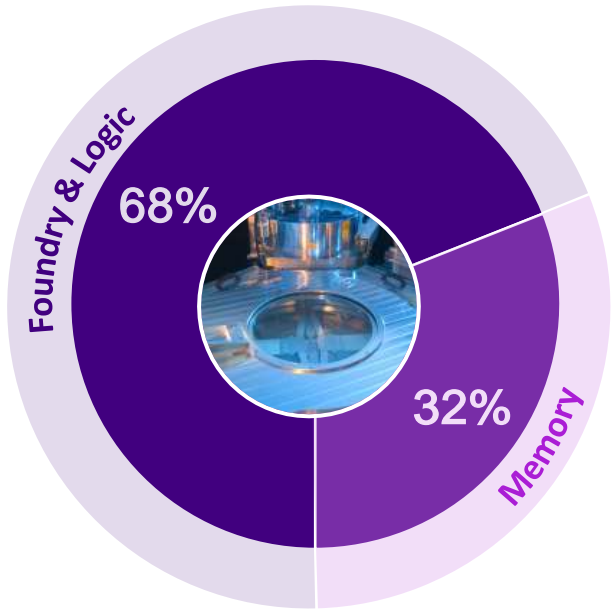
Investing to Sustain Technology Leadership

Breakdown of Revenue by Reportable Segments & End Markets

Revenue	Q4-FY21 (\$M)	Y/Y Growth %	Q/Q Growth %
Semiconductor Process Control <i>(Systems + Services)</i>	\$1,581	+37%	+5%
Specialty Semiconductor Process <i>(Systems + Services)</i>	\$98	-2%	+7%
PCB, Display and Component Inspection <i>(Systems + Services)</i>	\$247	+22%	+20%
Total	\$1,925¹	+32%	+7%



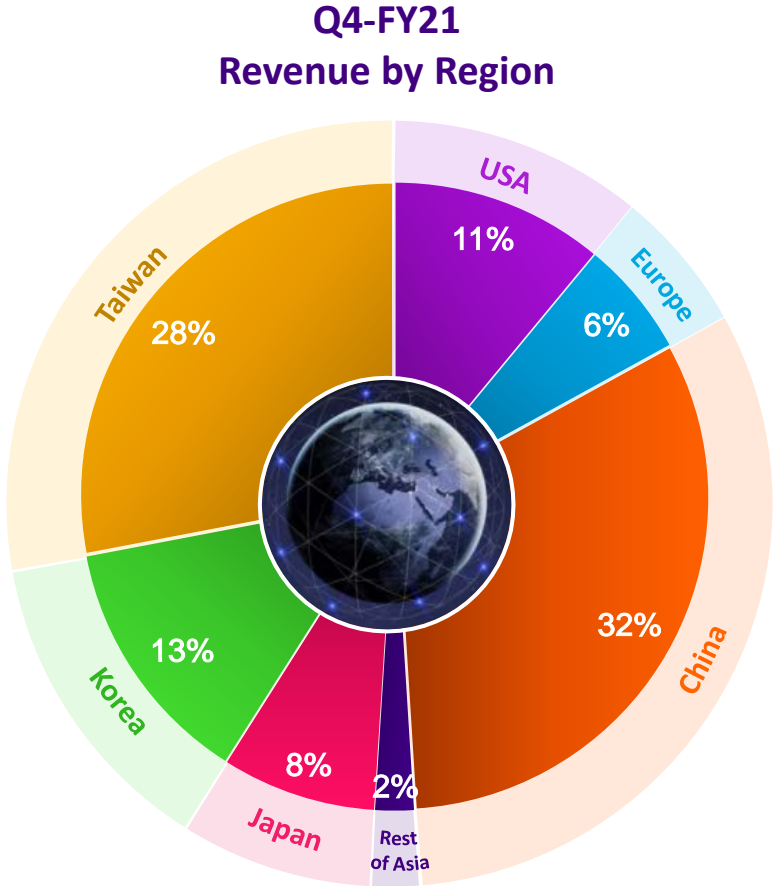
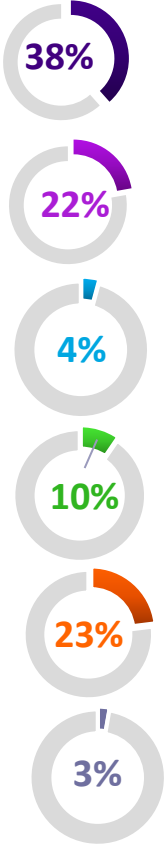
Q4-FY21: Semi Process Control End Market System Revenue



1. Rounding difference with sum of above

Breakdown of Revenue by Major Product and Region

Revenue	Q4-FY21 (\$M)	Y/Y Growth %	Q/Q Growth %
Wafer Inspection <i>(Systems Only)</i>	\$740	+51%	+3%
Patterning <i>(Systems Only)</i>	\$428	+39%	+7%
Specialty Semi Process <i>(Systems Only)</i>	\$82	-2%	+6%
PCB, Display and Component Inspection <i>(Systems Only)</i>	\$184	+28%	+30%
Services	\$444	+15%	+4%
Other ¹	\$48	-6%	+13%
Total	\$1,925 ²	+32%	+7%



1 Included in the Semiconductor Process Control Segment
 2 Rounding difference with sum of above

Strong Balance Sheet With No Bond Maturities Until 2024

Balance Sheet Summary¹ (\$M)

Total Cash ²	\$ 2,495
Working Capital	\$ 3,593
Total Assets	\$ 10,271
Debt ²	\$ 3,423
Total Shareholders' Equity	\$ 3,376

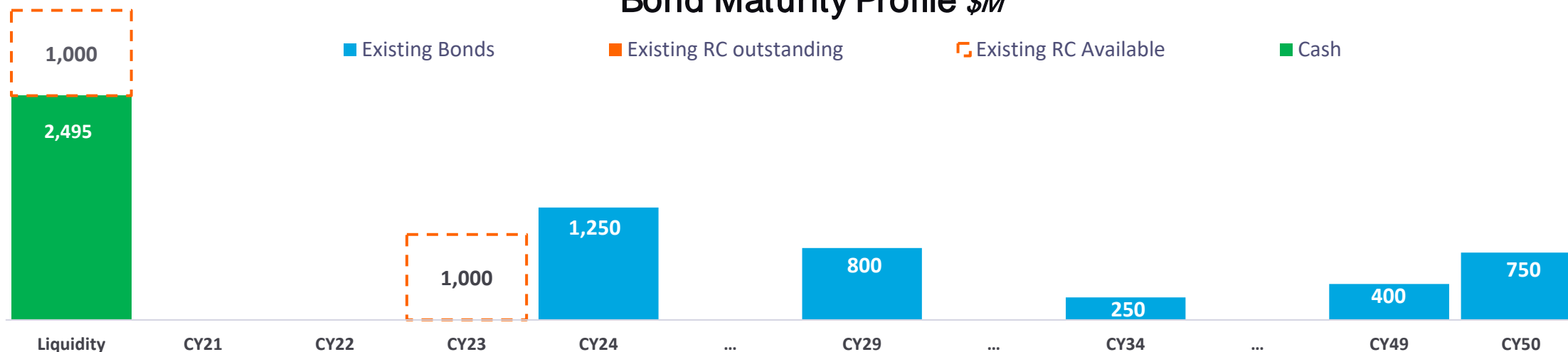
Bond Maturity Profile

Bonds Outstanding	\$ 3,450M
Weighted Average Rate	4.37%
Weighted Average Maturity	13.4 years

Investment Grade Credit Ratings

Moody's	A2 ³
S&P	BBB+
Fitch	BBB+

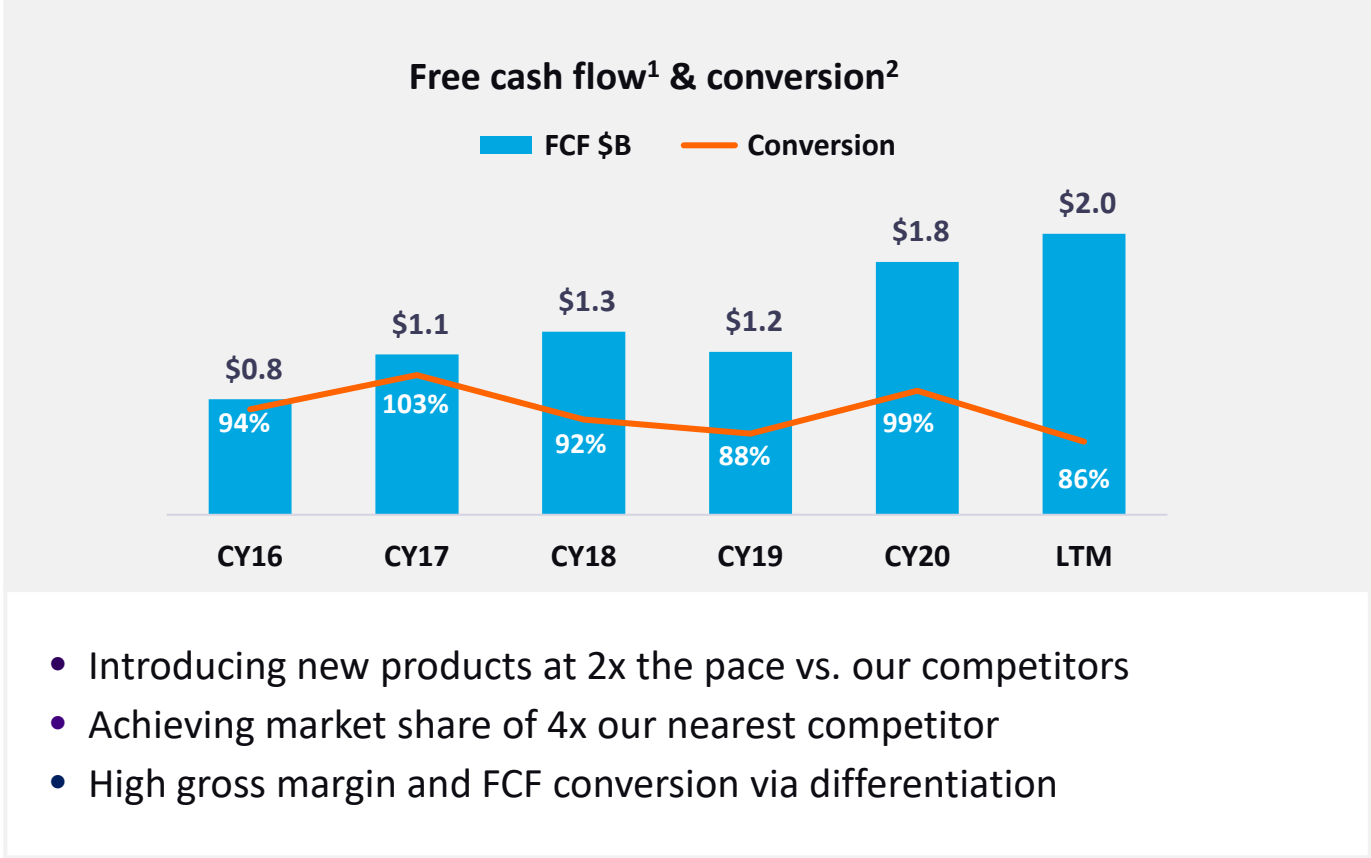
Bond Maturity Profile \$M



¹ As of 06/30/21; ² Total Cash includes Cash, Cash Equivalents and Marketable Securities;

² Difference between Bonds Outstanding of \$3,450B and gross debt of \$3,423B is un-amortized debt issuance discounts and costs. KLA also has a \$20M notes payable due in CY22; ³ Upgraded by Moody's from Baa1 to A2 on 6/2/21

FCF Generation Fuels Consistent Capital Return to Shareholders



Committed to Long-Term >70%³ FCF Returned to Shareholders through Dividends and Buybacks

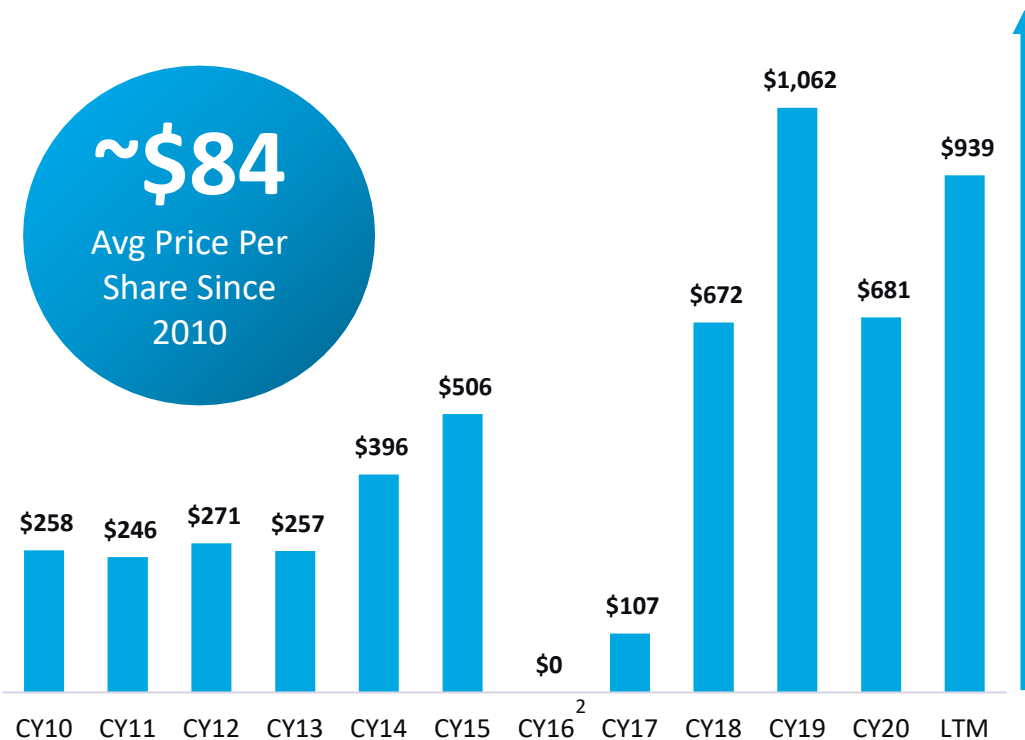
¹ Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
² FCF Conversion defined as FCF/Non-GAAP Net Income; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP
³ For calendar 2021 KLA committed to return > 85% of FCF as disclosed originally on 4/29/21 earnings call

Return to Shareholders Balanced Between Buybacks and Dividends

Consistent share repurchases ¹

\$Millions

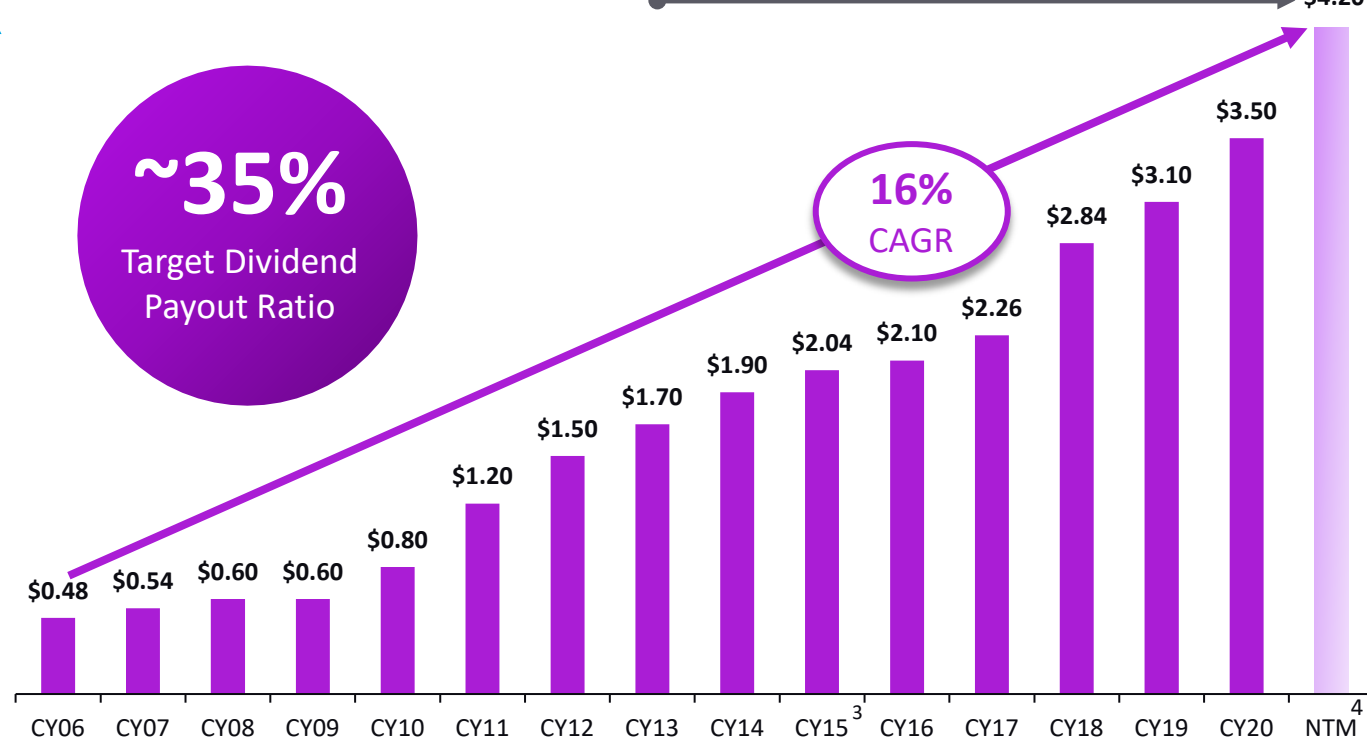
July 2021: New \$2 Billion Repurchase Authorization



Strong track record of annual dividend increases

(\$/per share)

July 2021: Announced Dividend Increase to \$1.05/qtr



¹Settlement Date basis ²Share repurchase halted in CY16 during KLA-Lam merger proceedings ³Excludes \$16.50 per share special dividend in CY15 ⁴NTM = Next Twelve Months (Pro forma)

Free Cash Flow and Capital Returns Highlights

\$410M

Jun Qtr FCF*

\$1.95B

LTM FCF*

\$300M

Jun Qtr Share Buyback

\$939M

LTM Share Buyback

\$139M

Jun Qtr Dividends Paid

\$559M

LTM Dividends Paid

* Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. Non-GAAP metric - Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

September Quarter 2021 Guidance (Q1 FY2022)

	September 2021 quarter
REVENUE	\$1,920M to \$2,120M
NON-GAAP GROSS MARGIN*	61.5% to 63.5%
GAAP DILUTED EPS	\$3.76 to \$4.64
NON-GAAP DILUTED EPS*	\$4.01 to \$4.89

Macro assumptions

- Semi Process Control Revenue By End Market
 - Foundry/Logic: 59%
 - Memory: 41%

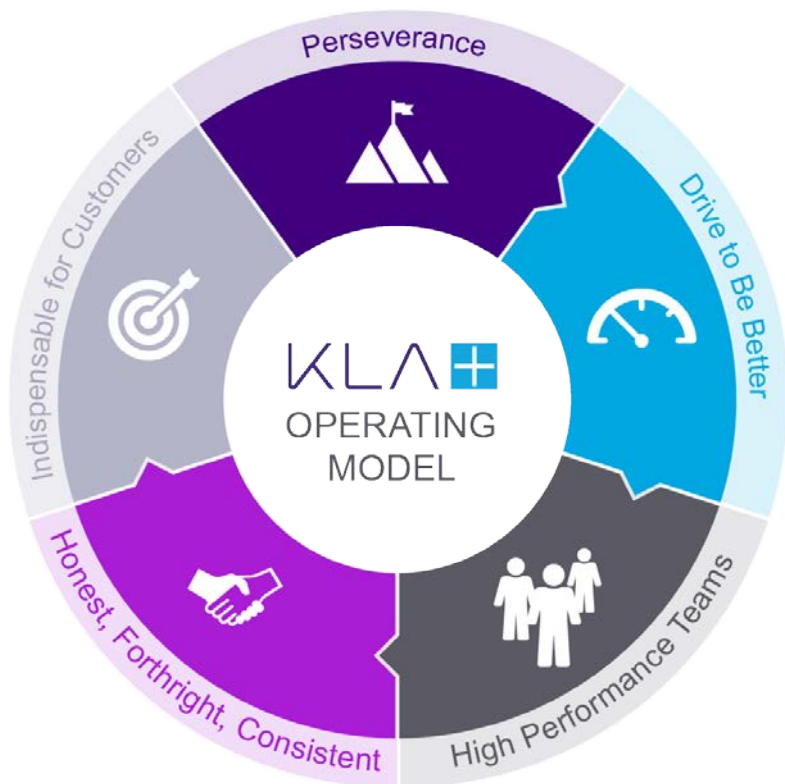
Model assumptions

- Non-GAAP Operating Expenses:* ~\$430M
- Other Income & Expense (OIE), Net: ~\$43M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~153.5M

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

Driving Profitable Growth and Delivering Shareholder Value

The KLA Operating Model Continues to Guide Us



1

Global leader in process control and supplier of process-enabling solutions for the data era

2

Sustained technology leadership allows us to remain at forefront of industry trends with new capabilities and technologies, enabling our profitable growth strategy

3

Competitive moat driven by deep, collaborative customer relationships, a broad IP portfolio, significant R&D investments, and differentiated solutions to solve our customers' most complex challenges

4

Experienced and energized leadership team utilizing the KLA Operating Model to instill a high-performance culture driving efficiency and operating performance

5

Track record of strong cash flow generation supported by diversification of revenue streams; balanced capital allocation delivering superior shareholder value

Reconciliation of Non-GAAP Financial Measures

		For the three months ended		For the twelve months ended					
		Jun 30, 2021	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
<i>(in thousands, except per share amounts and percentages)</i>									
GAAP net income attributable to KLA		\$ 632,978	\$ 2,078,292	\$ 1,216,785	\$ 1,367,523	\$ 1,137,653	\$ 1,420,692	\$ 656,341	\$ 863,670
<u>Adjustments to reconcile GAAP net income to non-GAAP net income*</u>									
Acquisition-related charges	a	53,008	209,555	244,715	214,533	340,318	21,218	4,737	4,383
Restructuring, severance and other charges	b	1,358	7,037	12,458	16,885	2,786	-	-	137
Debt extinguishment loss	c	-	-	22,538	22,538	-	-	-	-
Goodwill and intangible asset impairment	d	-	-	256,649	256,649	-	-	-	-
Merger-related charges	e	-	-	-	-	-	-	9,308	17,051
Income tax effect of non-GAAP adjustments	f	(16,910)	(69,341)	(83,402)	(74,196)	(97,828)	(1,229)	(4,631)	(6,169)
Discrete tax items	g	13,620	35,521	(34,915)	(10,047)	8,465	(18,089)	441,894	(3,064)
Non-GAAP net income attributable to KLA		\$ 684,054	\$ 2,261,064	\$ 1,634,828	\$ 1,793,885	\$ 1,391,394	\$ 1,422,592	\$ 1,107,649	\$ 876,008
GAAP diluted EPS		\$ 4.10	\$ 13.37	\$ 7.70					
Non-GAAP diluted EPS		\$ 4.43	\$ 14.55	\$ 10.35					
Shares used in diluted shares calculation		154,283	155,437	158,005					
GAAP research and development ("R&D") expenses		\$ 241,428	\$ 928,487	\$ 863,864	\$ 880,635	\$ 822,928	\$ 624,668	\$ 570,202	\$ 503,188
<u>Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*</u>									
Acquisition-related charges	a	-	-	-	-	(3,328)	-	-	-
Restructuring, severance and other charges	b	(203)	(2,705)	(2,072)	(3,625)	(802)	-	-	(5)
Merger-related charges	e	-	-	-	-	-	-	(3,139)	(3,767)
Non-GAAP R&D expenses		\$ 241,225	\$ 925,782	\$ 861,792	\$ 877,010	\$ 818,798	\$ 624,668	\$ 567,063	\$ 499,416
GAAP R&D expenses as a percentage of revenue		12.5%	13.4%	14.9%	14.5%	15.6%	14.5%	15.0%	15.4%
Non-GAAP R&D expenses as a percentage of revenue		12.5%	13.4%	14.8%	14.4%	15.5%	14.5%	14.9%	15.3%
GAAP income before income taxes		\$ 708,843							
<u>Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*</u>									
Acquisition-related charges	a	53,008							
Restructuring, severance and other charges	b	1,358							
Non-GAAP income before income taxes		\$ 763,209							
GAAP income tax expense		\$ 75,785							
<u>Adjustments to reconcile GAAP income tax expense to non-GAAP income tax expense*</u>									
Income tax effect of non-GAAP adjustments	f	16,910							
Discrete tax items	g	(13,620)							
Non-GAAP income tax expense		\$ 79,075							
GAAP effective tax rate		10.7%							
Non-GAAP effective tax rate		10.4%							

* 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 Non-GAAP Financial Measures

<i>(in thousands, except per share amounts and percentages)</i>	For the three months ended June 30, 2021
GAAP operating income (1)	\$ 719,780
<u>Adjustments to reconcile GAAP operating income to non-GAAP operating income*</u>	
Acquisition-related charges	a 53,008
Restructuring, severance and other charges	b 1,358
Non-GAAP Operating income (1)	\$ 774,146
GAAP operating margin	37.4%
Non-GAAP operating margin	40.2%
GAAP Selling, General and Administrative ("SG&A") expenses (1)	\$ 192,022
<u>Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*</u>	
Acquisition-related charges	a (12,509)
Restructuring, severance and other charges	b (1,626)
Non-GAAP SG&A expenses (1)	\$ 177,887
GAAP Operating expenses (1)	\$ 433,450
<u>Adjustments to reconcile GAAP operating expenses to non-GAAP operating expenses*</u>	
Acquisition-related charges	a (12,509)
Restructuring, severance and other charges	b (1,829)
Non-GAAP Operating expenses (1)	\$ 419,112
GAAP gross profit	\$ 1,153,230
<u>Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*</u>	
Acquisition-related charges	a 40,499
Restructuring, severance and other charges	b (471)
Non-GAAP gross profit	\$ 1,193,258
GAAP gross margin	59.9%
<u>Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*</u>	
Acquisition-related charges	a 2.1%
Non-GAAP gross margin	62.0%

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

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP") and the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The expenses (benefits) associated with changes in the liability included in selling, general and administrative expense for the quarter ended June 30, 2021 was \$15.5 million. The gains (losses) associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended June 30, 2021 was \$15.5 million.

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures <i>(Dollars in thousands)</i>	For the three	For the twelve months ended						
	months ended	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Net cash provided by operating activities	\$ 465,622	\$ 2,185,026	\$ 1,778,850	\$ 1,968,126	\$ 1,373,031	\$ 1,389,697	\$ 1,190,475	\$ 857,780
Less Capital expenditures	(55,375)	(231,628)	(152,675)	(200,304)	(149,242)	(86,518)	(49,207)	(34,974)
Free cash flow	\$ 410,247	\$ 1,953,398	\$ 1,626,175	\$ 1,767,822	\$ 1,223,789	\$ 1,303,179	\$ 1,141,268	\$ 822,806
Free Cash Flow Conversion calculation								
Free cash flow	\$ 410,247	\$ 1,953,397	\$ 1,626,175	\$ 1,767,822	\$ 1,223,789	\$ 1,303,179	\$ 1,141,268	\$ 822,806
Non-GAAP net income attributable to KLA	684,054	2,261,064	1,634,828	1,793,885	1,391,394	1,422,592	1,107,649	876,008
Free cash flow conversion	60.0%	86.4%	99.5%	98.5%	88.0%	91.6%	103.0%	93.9%
GAAP metric comparable to Free Cash Flow Conversion								
Net cash provided by operating activities	\$ 465,622	\$ 2,185,026	\$ 1,778,850	\$ 1,968,126	\$ 1,373,031	\$ 1,389,697	\$ 1,190,475	\$ 857,780
GAAP net income attributable to KLA	632,978	2,078,292	1,216,785	1,367,523	1,137,653	1,420,692	656,341	863,670
GAAP metric comparable to free cash flow conversion	73.6%	105.1%	146.2%	143.9%	120.7%	97.8%	181.4%	99.3%
Free Cash Flow Margin								
Free cash flow	\$ 410,247							
Revenue	1,925,471							
Free cash flow margin	21.3%							
Cash paid for dividends	\$ 139,267	\$ 559,353						
Cash paid for share repurchases	299,777	938,607						
Capital returns	\$ 439,044	\$ 1,497,960						
Capital returns as a percentage of free cash flow	107.0%	76.7%						

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 Q1 FY 2022 Guidance Range

<i>(In millions, except per share amounts and percentages)</i>		Low	High
GAAP diluted net income per share		\$ 3.76	\$ 4.64
Acquisition-related charges	a	0.35	0.35
Restructuring, severance and other charges	b	0.01	0.01
Income tax effect of non-GAAP adjustments	f	(0.11)	(0.11)
Non-GAAP diluted net income per share		\$ 4.01	\$ 4.89
Shares used in diluted shares calculation		153.5	153.5
GAAP gross margin		59.4%	61.5%
Acquisition-related charges	a	2.1%	2.0%
Restructuring, severance and other charges	b	0.0%	0.0%
Non-GAAP gross margin		61.5%	63.5%
GAAP operating expenses		\$ 441	\$ 447
Acquisition-related charges	a	(12)	(12)
Restructuring, severance and other charges	b	(2)	(2)
Non-GAAP operating expenses		\$ 427	\$ 433

Note: The guidance as of July 29, 2021 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 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, primarily Orbotech.
- b) Restructuring, severance and other charges primarily include costs associated with employee severance, acceleration of certain stock-based compensation arrangements, and other exit costs.
- c) Debt extinguishment loss includes a pre-tax loss on early extinguishment of the \$500 million 4.125% Senior Notes due in November 2021.
- d) Goodwill impairment includes non-cash expense recognized as a result of the company's annual testing for goodwill impairment performed in the third quarter of the fiscal year. The impairment charge resulted from the downward revision of financial outlook for the acquired Orbotech business as well as the impact of elevated risk and macroeconomic slowdown driven by the COVID-19 pandemic.
- e) Merger-related charges associated with the terminated merger agreement between KLA-Tencor and Lam Research Corporation ("Lam") primarily include employee retention-related expenses, legal expenses and other costs.
- f) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.
- g) 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.