

Letter to Shareholders



Keep Looking Ahead

Q3 Fiscal 2023 Earnings

Quarter Ended March 31, 2023 • Reported April 26, 2023

Dear KLA Shareholders,

KLA entered 2023 on solid footing, and our March quarter results demonstrate the company's consistency in delivering on long-term strategic objectives and financial targets.

Revenue of \$2.43 billion finished above the mid-point of the guidance range, grew 6% on a year-over-year basis, but was down 18% sequentially. GAAP Earnings Per Share (EPS) was \$5.03, and non-GAAP EPS was \$5.49, with each finishing above the mid-point of their respective guidance ranges.

Customer demand in the quarter was slightly ahead of expectations. While near-term headwinds related to the global macro economy and supply-chain challenges remain, some positive offsets exist. In particular, automotive and other markets served by legacy nodes have remained strong, demonstrating the expansion of the importance of semiconductors across multiple industries. Additionally, the silicon wafer industry continues to invest in new capacity to support long-term wafer demand growth. Finally, Process Control plays a critical enabling role in our customers' ability to execute on node and technology transitions that are the focus of R&D efforts which are more resilient to near-term macro and market pressures.

KLA has remained focused on supporting customers and managing supply chain challenges related to certain products, balancing the need for critical components in our products still in high demand by our customers, while adjusting factory and supply chain capacity to align to a lower-demand environment from what we were expecting 6 to 9 months ago. Our March quarterly results are the latest example of KLA successfully meeting or exceeding our commitments and creating value for our customers, partners, and shareholders. We are proud of how our global KLA teams continue to leverage the KLA Operating Model to excel in the marketplace.

This Shareholder Letter provides an update on our views of the current industry demand environment, summarizes the quarterly business and financial highlights for the March quarter, and presents our outlook for the June quarter.

Semiconductor Industry Demand Environment

The semiconductor industry's ongoing evolution toward being more strategic and diversified, as evidenced by the rapid growth of new enabling technologies such as Generative AI, 5G, IoT, Automotive Electronics, and Advanced Packaging are all important to the increasingly critical nature of semiconductors in the global economy. The semiconductor capital equipment industry remains on the critical path for enabling that evolution.

Regarding the near-term semiconductor industry environment, the macro-driven slowdown in certain consumer electronics markets has created excess inventories and memory customers have adopted supply reduction measures to preserve cash flows and bring supply and demand back into balance.

Our customers are adjusting capacity plans across both segments due to changing demand expectations, however, when it comes to R&D investments, we see them remaining a top priority during capex decisions. This is important for KLA as our products are heavily relied upon during the R&D process as well as the early ramp phase when faster time-to-yield is critical.

Semiconductor Industry Demand Environment

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. Regionalization of semiconductor production is underway. The digital transformation of our lives is expanding beyond consumer to multiple end markets and technology-based services.

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

The Semiconductor industry has been facing a combination of factors, including inflation, a weakening global economy, and supply chain challenges. As a result, semiconductor demand (particularly in consumer markets) has been impacted, with memory device manufacturers and foundry/logic customers taking steps to adjust factory utilizations and reduce capex.

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

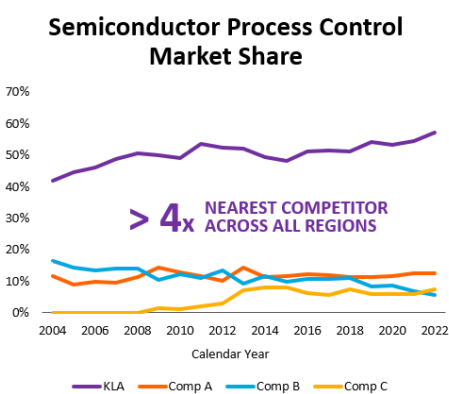
As the market leader in Process Control, KLA plays a critical role in enabling technology transitions in advanced semiconductor manufacturing. Despite the near-term demand and macroeconomic headwinds, customers continue to invest in technology transitions in every segment. KLA benefits from these investments as we are on the critical path to enabling advanced semiconductor device R&D, faster yield ramps and higher, more stable yields in production.

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

Newly Published Market Share Report Reinforces KLA's Success

The latest Gartner market share analysis shows Process Control was the fastest-growing WFE market segment in 2022, growing 30% in the year to \$13.5 billion. Within Process Control, KLA increased market leadership in most major segments, resulting in an overall market share gain of roughly 300 basis points in 2022 to over 57%, or greater than 4x the nearest competitor. KLA's growth and market leadership demonstrate the success of our product and service strategy and the value of our comprehensive portfolio which offers a broad range of advanced technologies that address our customers' most critical yield and technology development challenges.

KLA's Steady Market Share Expansion Continued in 2022



Source: Gartner April 2023

1

KLA's Process Control Market Share Eclipsed 57% in 2022, steady upward trajectory since 2004, demonstrating the power of the portfolio

2

Process Control was the fastest growing WFE market segment above \$5B in 2022, and KLA's market share is greater than 4x the nearest competitor

3

KLA's Process Control share has grown more than 600bps since 2018, reflecting the critical nature of Process Control in enabling semiconductor market growth, and the successful execution of KLA's revenue diversification strategies

4

The Reticle Inspection and Metrology market grew 45% to above \$1.6B in 2022, and KLA revenue in Reticle Inspection more than 80%. KLA's share grew to 55% in this critical market for enabling EUV Lithography

5

KLA revenue in Optical Metrology topped \$1B in 2022, with KLA share growing to 52%. The Optical Metrology market has doubled since 2018, driven by growth of 3D structures in Advanced Memory and Logic

Highlights of KLA's expanded market leadership in 2022 include:

- Growth in the Optical Inspection market to approximately \$3.5 billion, driven by KLA's market leadership and growing customer adoption of the flagship Broadband Plasma™ Optical Inspection product portfolio.
- In Reticle Inspection and Metrology, the market grew to over \$1.6 billion in annual sales in 2022, outpacing WFE growth by more than 5x, and KLA's share of this market increased to approximately 55%, while revenue share for the nearest competitor declined by 600 basis points.
- Other highlights include share growth in Unpatterned Wafer Inspection, Overlay Metrology, and Macro Inspection.

KLA's sustained market leadership is underpinned by our innovation and high levels of R&D investment to solve the most complex Process Control challenges facing the semiconductor industry today. Our activities are guided by the KLA Operating Model, which defines the processes by which we continue to evolve and improve.

Top 5 Highlights for the March 2023 Quarter

- 1 KLA's Consistency Led By Execution and Market Leadership**
KLA's market leadership in some of the most critical and fastest growing areas of WFE continues to fuel our growth, and we continue to execute at a high level to meet customer requirements and deliver on our financial targets.
- 2 KLA's Growth and Market Leadership Demonstrate the Power of the Portfolio**
The recently published Gartner market report shows Process Control was the fastest growing major WFE market segment in 2022, increasing 30% in the year to \$13.5 billion. Within Process Control, KLA grew our market leadership in most major markets, resulting in share gain in Process Control of 300 basis points in 2022 to over 57%.
- 3 Focus on Automotive Markets Driving Strong Growth in Compound Semiconductor Manufacturing**
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 to develop a comprehensive suite of inspection systems and process tools serving these markets.
- 4 Service Demonstrates Resiliency in Contracting WFE Market**
Service revenue was \$529 million, up 8% year-over-year. 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.
- 5 Company Delivered Strong Free Cash Flow Generation and Capital Returns**
Quarterly free cash flow was \$926 million, which drove LTM free cash flow growth up 20% to \$3.2 billion. We have remained focused on returning capital to shareholders through both our quarterly dividend and stock repurchase program. Total capital returns over the past 12 months was \$5.11 billion, or 160% of free cash flow.

First, KLA's market leadership in Process Control, which includes some of the most critical and fastest-growing segments of WFE, continues to fuel our growth and we continue to execute at a high level to meet customer requirements and deliver on our financial targets. Quarterly revenue grew 6% year-over-year to \$2.4 billion. In Foundry/Logic, simultaneous investments across multiple nodes and rising capital intensity continue to be a long-term tailwind. In Memory, our focus on technology development is a buffer against sharp reductions in overall memory capital investment.

Second, as mentioned above, the recently published Gartner market share analysis showed meaningful and broad-based improvement for KLA.

Third, the successful execution of KLA's strategies for market diversification and the integration of acquired companies like SPTS is materializing through rapid growth in KLA's automotive-focused business leveraging process control technologies and specialty process capabilities. Automotive

semiconductor demand is growing in applications where a zero-defect mentality is required to achieve superior standards of quality and reliability. KLA has been working with the entire automotive ecosystem to standardize our inline defect screening methodology, called IPAT, to augment existing reliability test methods. As electrification proliferates, the industry is facing an additional opportunity with the introduction of new compound semiconductor materials, such as silicon carbide, that offer a significant improvement in power efficiency over silicon. In this category, KLA's revenue has grown by 2.5x since 2019, approaching \$700 million in annual revenue in calendar 2022 including nearly 5x growth in silicon carbide-related business which accounts for almost half of total automotive sales. We expect automotive growth to continue in calendar 2023.

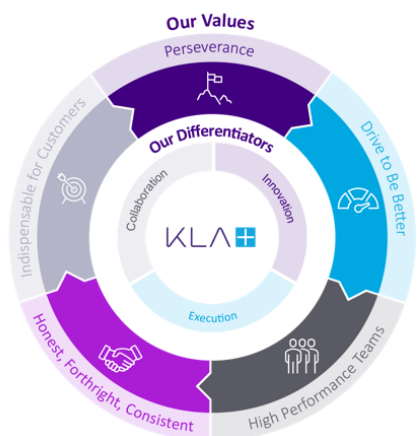
Fourth, the KLA Services business grew to \$529 million in the March quarter up 8% year-over-year. KLA Services' strength was driven by our growing installed base, increasing customer adoption of long-term service agreements, expanding Service opportunities in the legacy nodes, and emerging long-term opportunities in acquired businesses. KLA's Services business is unique in our industry for having nearly all our Services revenue generated from "Pure Services," or service contracts and break-fix maintenance. It 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 and should enable KLA Services to grow year-over-year in 2023 despite a meaningful correction year in WFE.

Finally, the March quarter was another excellent period from a cash flow and capital returns perspective. Quarterly free cash flow was \$926 million, which drove latest 12 months free cash flow up 20% to \$3.2 billion. Total capital returns over the past twelve months were \$5.11 billion, or 160% of free cash flow. Dividends and share repurchases in the March quarter were \$659 million, comprised of \$478 million in share repurchases and \$181 million in dividends. KLA's business model is focused on driving free cash flow performance and we remain committed to returning capital to shareholders via our dividend and stock repurchase programs which we see as fundamental to augmenting total shareholder returns.

Before transitioning to the financial highlights, let's recap a few key points. KLA's March quarter results and the latest market share report demonstrate our continued process control leadership and the success of our broad portfolio and specific product strategies. This further highlights the critical nature of KLA's products and services in enabling the continued digital transformation and proliferation of semiconductors into more facets of how we live and work. Our consistent, strong execution despite challenges in the marketplace, both in terms of macro-economic uncertainty and in shifting customer requirements, highlights the resiliency of the KLA Operating Model, the dedication of our global teams, our commitment to assertive capital allocation, and maximizing long-term total shareholder value to all our stakeholders.

At our June 2022 Investor Day, we made a case for why KLA was 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



- 
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

March Quarter 2023 Financial Highlights

KLA delivered on our quarter guidance and commitments, demonstrating consistent execution in a challenging marketplace. 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 \$2.43 billion, above the midpoint of the guided range of \$2.2 to \$2.5 billion. Non-GAAP diluted EPS was \$5.49, above the midpoint of the guided range of \$4.52 to \$5.92. GAAP diluted EPS was \$5.03.

<p>\$2,433M Revenue</p>	<p>60.8% Gross Margin*</p>	<p>38.8% Operating Margin*</p>	<p>\$761M Net Income*</p>
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 30%;"> <p>KLA's new, high-performance Teron™ SL670e XP reticle inspection systems are used during chip manufacturing to identify yield-critical defects on EUV reticles in 5nm/3nm logic and advanced DRAM chip production</p> </div> <div style="width: 40%; text-align: center;">  </div> <div style="width: 25%;"> <p style="background-color: #e0f2f1; padding: 10px; font-size: 1.2em;">\$5.49 Diluted EPS*</p> <p style="background-color: #e0f2f1; padding: 10px; font-size: 1.2em;">\$5.03 GAAP Diluted EPS</p> </div> </div>			

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

Non-GAAP gross margin was 60.8%, at the lower end of the guidance range. While volume and product mix were stronger than expected, persistent end market weakness continues to affect the PCB, Display and Component inspection businesses to a greater degree than expected and drove incremental inventory reserves requirements. Factory under-absorption also remains a factor across the company as we adjust our capacity down to reflect the current business environment. These issues combined diluted KLA gross margins by approximately 100 basis points from our internal expectations and offset the volume and product mix benefits mentioned earlier. Non-GAAP operating expenses were \$534 million, below our expectation of \$545 million for the quarter, reflecting the impact of modest headcount reductions implemented in the quarter and prudent cost management across the company. Total operating expenses comprised \$322 million in R&D and \$212 million in SG&A.

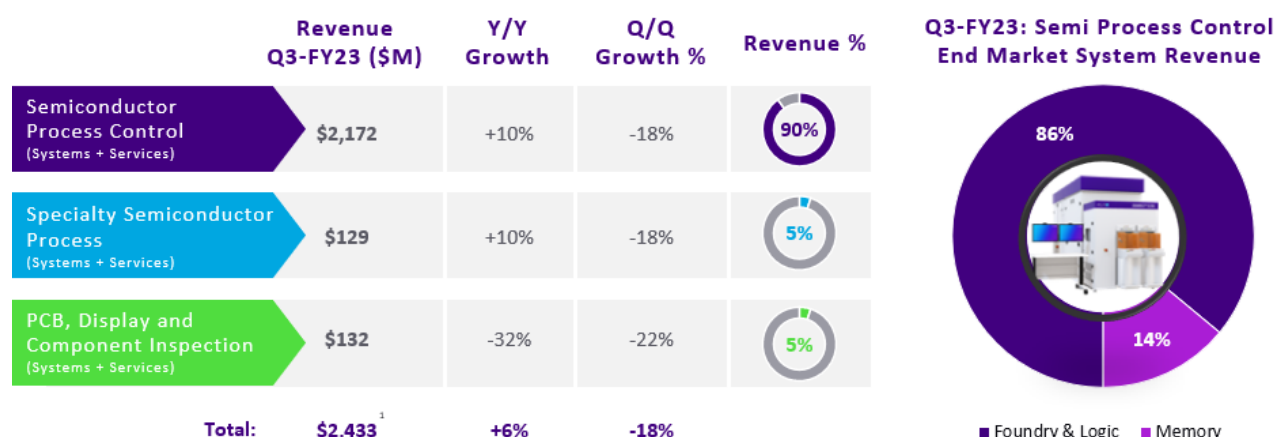
Non-GAAP operating margin was 38.8%. Other income and expense, net, was \$60 million, and the quarterly effective tax rate was 14.0%. At the guided tax rate of 13.5%, Non-GAAP EPS would have been \$0.03 higher.

Quarterly non-GAAP net income was \$761 million, GAAP net income was \$698 million, cash flow from operations was \$1.01 billion, and free cash flow was \$926 million. As a result, free cash flow conversion was 122% and free cash flow margin was 38%. The company had approximately 139 million diluted weighted average shares outstanding at the end of the quarter.

Breakdown of Revenue by Reportable Segments and End Markets

Revenue for the Semiconductor Process Control segment, including its associated Services business, was \$2.2 billion, up 10% year-over-year but down 18% sequentially. The Semiconductor Process Control system customer segment mix for Foundry/Logic customers was approximately 86%, and Memory was approximately 14%, both mostly in line with our expectations.

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 quarterly revenue of \$129 million, up 10% over the prior year, but down 18% sequentially as expected after a record in the December quarter. PCB, Display and Component Inspection revenue was \$132 million, down 32% year-over-year and 22% sequentially. Demand in KLA's PCB, Display and Component Inspection segment continues to be weaker than expected and reflects the impact of slowing consumer electronics markets, particularly in mobile phones. We expect this market to remain weak for the rest of the calendar year.



¹ Amounts above exclude corporate allocations and effects of changes in currency exchange rates

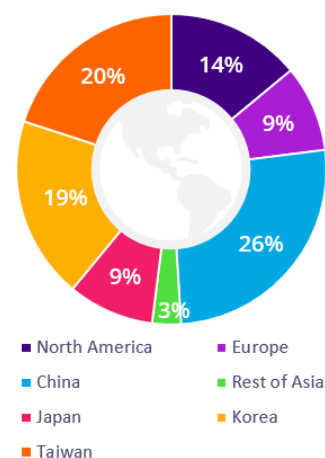
Breakdown of Revenue by Major Products and Regions

Wafer Inspection systems grew 12% year-over-year, was down 18% sequentially, and was 42% of total revenue. Patterning systems, which include metrology and reticle inspection, was flat year-over-year and down 29% on a sequential basis to 25% of total revenue. Specialty Semiconductor Process systems grew 9% year-over-year and was down 21% sequentially to 5% of total revenue. PCB, Display and Component Inspection systems revenue fell 44% year-over-year and 36% sequentially to 3% of total revenue. Services increased 9% from a year ago levels, rose 2% sequentially, and was 22% of revenue. Other, which is consolidated into the Semiconductor Process Control segment, was 3% of total revenue.

	Revenue Q3-FY23 (\$M)	Y/Y Growth	Q/Q Growth %	Revenue %
Wafer Inspection	\$1,027	+12%	-18%	42%
Patterning	\$612	0%	-29%	25%
Specialty Semi Process	\$115	+9%	-21%	5%
PCB, Display and Comp. Inspection	\$69	-44%	-36%	3%
Services	\$529	+8%	+2%	22%
Other ¹	\$81	+93%	-12%	3%
Total:	\$2,433	+6%	-18%	

¹ Included in the Semiconductor Process Control Segment

Q3-FY23 Revenue by Region



The March quarter regional revenue split was as follows: China was 26% and Semi Process Control systems for native China was approximately 25%, Taiwan was 20%, and Korea was 19%. North America was 14% of revenue. Other regions that accounted for less than 10% of sales included Japan at 9%, Europe at 9%, and the rest of Asia at 3%.

Strong Investment Grade Balance Sheet with No Bond Maturities Until 2024

KLA ended the quarter with \$2.9 billion in total cash, cash equivalents and marketable securities, debt of \$5.95 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three agencies. Our balance sheet offers us a unique capability to fund our growth strategies, organic and inorganic, and provide ongoing attractive capital returns to shareholders.

Balance Sheet Summary¹ (\$M)

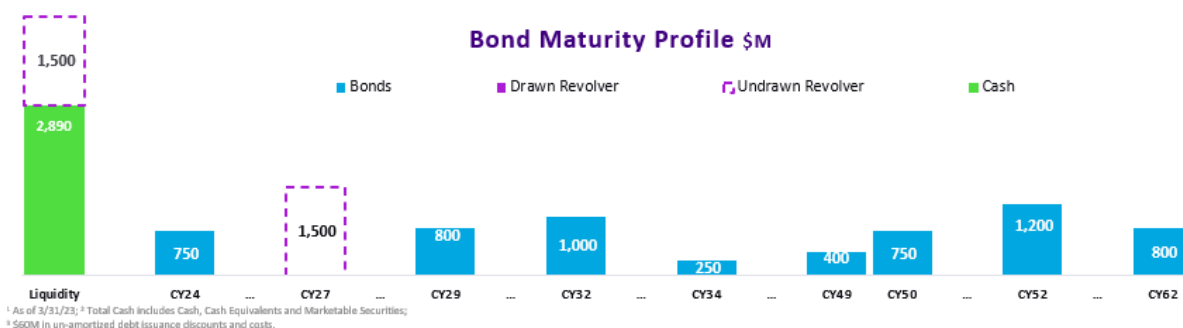
Total Cash ²	\$ 2,890
Working Capital	\$ 4,600
Total Assets	\$ 13,684
Debt ³	\$ 5,890
Total Shareholders' Equity	\$ 2,683

Bond Maturity Profile

Bonds Outstanding	\$5.95B
Weighted Average Rate	4.64%
Weighted Average Maturity	19.4 years

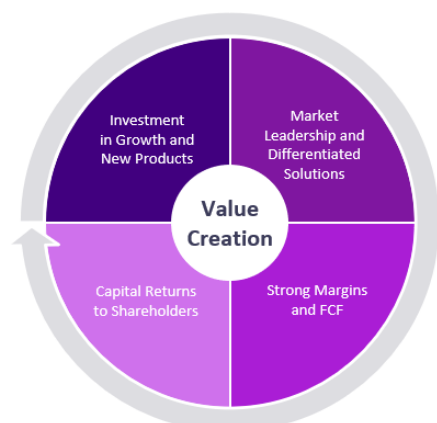
Investment Grade Credit Ratings

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

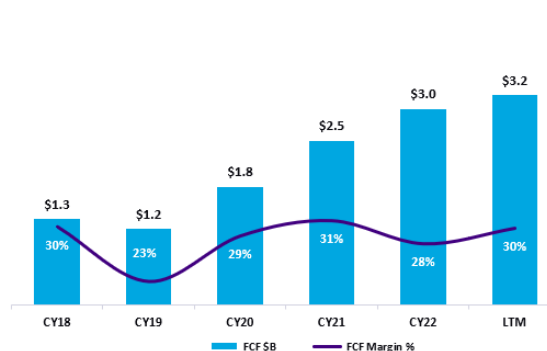


FCF Generation Fuels Consistent Capital Return to Shareholders

We have confidence in our business over the long-term and are committed to a consistent strategy of cash returns that includes both dividend growth and increasing share repurchases. 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.



Free Cash Flow¹ and FCF Margin²



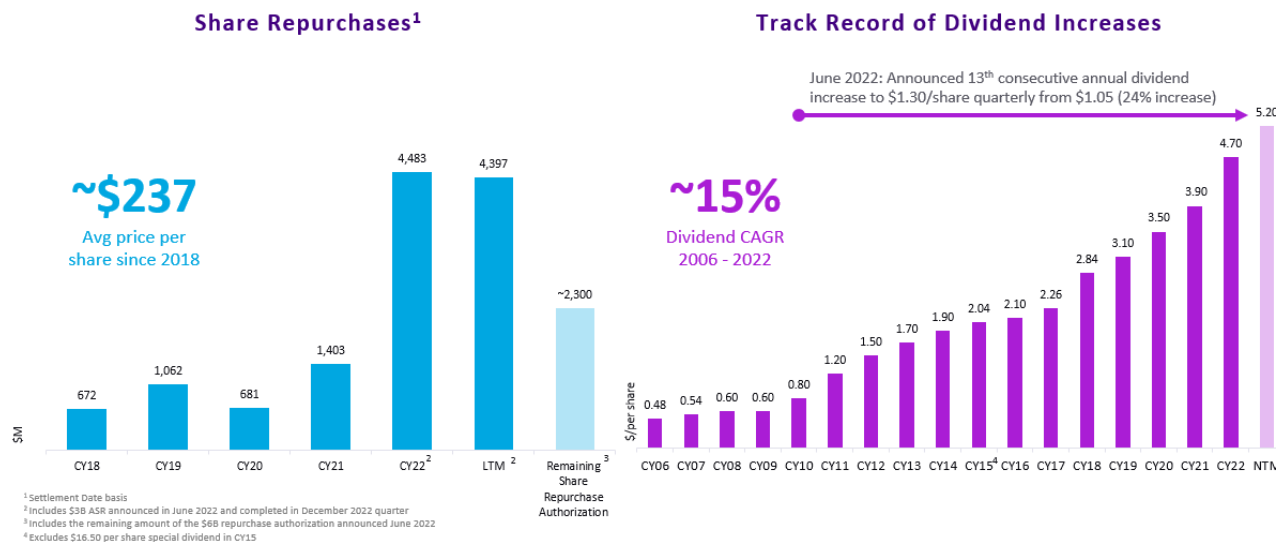
¹ Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures

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

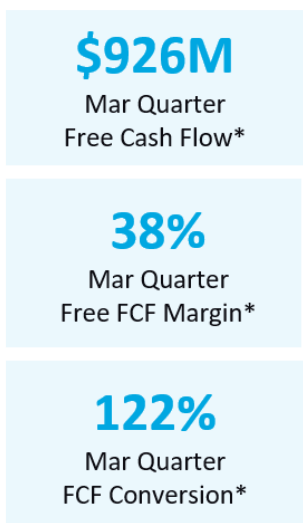
Over the last 12 months, KLA has returned \$5.1 billion to shareholders, including \$4.4 billion in share repurchases and \$711 million in dividends paid, with total capital returns amounting to 160% of free cash flow.

Return to Shareholders Across Both Share Repurchases & Dividends

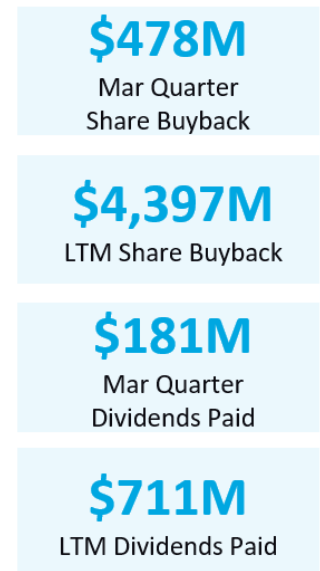


Free Cash Flow and Capital Returns Highlights

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.



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



* 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. Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

Outlook

Looking ahead, we continue to estimate WFE to decline approximately 20% to \$75 billion in calendar year 2023 from approximately \$95 billion in 2022. Our customers' capacity planning remains fluid and indications of end-market improvement have limited visibility today. While the timing of a meaningful resumption in WFE investment growth remains unclear, we do see overall demand stabilizing around current business levels for our semiconductor process control systems business and we expect this demand profile to continue through the second half of the calendar year. In particular, we are seeing higher than initially expected investment from legacy customers globally, including in China. We have also received clarification from the U.S. Government on the export rules issued last October and can now resume some shipments that we had previously excluded. Furthermore, we see additional wafer and reticle infrastructure spending worldwide.

Our WFE estimate reflects our current tops-down assessment of industry demand as follows: in memory, we expect WFE investment to decline by 35% to 40%, as memory customers continue to respond to lower consumer demand by adjusting production to bring device supply in line with demand. We expect foundry/logic to decline by about 10% overall, with legacy investment declining less than the segment overall due principally to automotive, and continued demand for legacy design nodes in China.

KLA's primary value proposition is focused on enabling innovation through technology transitions which our customers continue to prioritize across all business environments. While capacity plans often change, technology roadmap investments are more resilient. This adds additional confidence to our business expectations as customers align shipment slots with roadmap requirements. In this environment, we will continue to focus on meeting customer requirements, maintaining our 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.

June Quarter Guidance

Our June quarter guidance is as follows: total revenue is expected to be \$2.250 billion, plus or minus \$125 million. Foundry/Logic is forecasted to be approximately 77%, and Memory is expected to be around 23% of Semi PC systems revenue. Within Memory, DRAM is expected to be about 85% of the segment mix and NAND 15%.

We forecast non-GAAP gross margin to be 60.75% plus or minus one percentage point, due primarily to the expected product and segment mix. Given the view of a stabilizing demand environment for the remainder of the year, non-GAAP gross margins should remain in this range, with an expectation of gross margins to be between 60 and 61% for calendar year 2023 with product mix being the largest factor in quarter-to-quarter variability.

Looking ahead, we will continue to manage costs carefully. The June quarter for us always represents the first full quarter of our annual salary adjustments. As a result, operating expenses will tick up slightly to approximately \$540 million. We continue to see operating expenses trending down for the remainder of calendar year 2023, exiting the calendar year in the \$530 - \$535 million range.

Other model assumptions for the June quarter include: other income and expense, net, of approximately \$58 million, and an effective tax rate of approximately 13.5%. Finally, GAAP diluted EPS is expected to be \$4.47 plus or minus \$0.60, and non-GAAP diluted EPS of \$4.83 plus or minus \$0.60. EPS guidance is based on a fully diluted share count of approximately 137.5 million shares.

June 2023 Quarter Guidance

Revenue	\$2.250B +/- \$125M	Macro Assumptions Semi PC Revenue By End Market <ul style="list-style-type: none"> ▪ Foundry/Logic: 77% ▪ Memory: 23% Model Assumptions <ul style="list-style-type: none"> ▪ Non-GAAP Operating Expenses*: ~\$540M ▪ Other Income & Expense (OIE)*, Net: ~\$58M ▪ Effective Tax Rate: ~13.5% ▪ Diluted Share Count: ~137.5M
Non-GAAP Gross Margin*	60.75% +/- 1%	
GAAP Diluted EPS	\$4.47 +/- \$0.60	
Non-GAAP Diluted EPS*	\$4.83 +/- \$0.60	

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

Driving profitable growth and delivering shareholder value

In Conclusion

Following three years of strong industry growth, our view of total WFE demand remains unchanged at down approximately 20% in calendar 2023. Against this backdrop, KLA is well positioned to continue to outperform the industry, building on the increased market relevancy delivered in calendar 2022. Looking ahead, we remain confident that the secular trends driving long-term semiconductor industry demand and investments in WFE are intact. Broadening semiconductor demand, the increasingly strategic role semiconductors play in influencing national industrial policy, and simultaneous investments supporting growing semiconductor content across technology nodes remain catalysts for growth. 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, while the global economy and semiconductor industry face headwinds in 2023, we are well-positioned to deliver strong financial performance, driven by the relative strength of our Semi PC and SPTS businesses and continued growth in Services. We will continue to focus on innovation as we execute our portfolio strategy to support our customers’ technology roadmaps and multi-year investment plans. With the KLA Operating Model guiding our execution, we will execute our strategic objectives and drive outperformance. These objectives drive our growth, consistent operational excellence, and differentiation across a diverse product and services portfolio. They are also the foundation that sustains our technology leadership and competitive differentiation. This has enabled us to achieve industry-leading financial and free cash flow performance and deliver consistent and growing capital returns to shareholders.

Sincerely,



Rick Wallace
CEO



Bren Higgins
CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

<i>(In millions, except EPS \$ and percentages)</i>	For the three months ended	
	Mar. 31, 2023	
GAAP net income attributable to KLA	\$ 697.8	
Adjustments to reconcile GAAP net income to non-GAAP net income*		
Acquisition-related charges	a	65.1
Restructuring, severance and other charges	b	19.1
Income tax effect of non-GAAP adjustments	c	(22.9)
Discrete tax items	d	1.7
Non-GAAP net income attributable to KLA	\$ 760.7	
GAAP diluted EPS	\$ 5.03	
Non-GAAP diluted EPS	\$ 5.49	
Shares used in diluted shares calculation	138.6	
GAAP income tax expense	\$ 102.8	
Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*		
Income tax effect of non-GAAP adjustments	c	22.9
Discrete tax items	d	(1.7)
Non-GAAP income tax expense	\$ 124.1	
GAAP income tax rate	12.8%	
Non-GAAP income tax rate	14.0%	
GAAP gross profit	\$ 1,427.3	
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*		
Acquisition-related charges	a	45.4
Restructuring, severance and other charges	b	6.0
Non-GAAP gross profit	\$ 1,478.7	
GAAP gross margin	58.7%	
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*		
Acquisition-related charges	a	1.9%
Restructuring, severance and other charges	b	0.2%
Non-GAAP gross margin	60.8%	

<i>(Dollars in millions)</i>	For the three months ended	
	Mar. 31, 2023	
GAAP operating income (1)	\$ 860.6	
Adjustments to reconcile GAAP operating income to non-GAAP operating income*		
Acquisition-related charges	a	65.1
Restructuring, severance and other charges	b	19.1
Non-GAAP operating income (1)	\$ 944.7	
GAAP operating margin	35.4%	
Non-GAAP operating margin	38.8%	
GAAP research and development ("R&D") expenses	\$ 328.3	
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*		
Restructuring, severance and other charges	b	(6.7)
Non-GAAP R&D expenses	\$ 321.6	
GAAP selling, general and administrative ("SG&A") expenses (1)	\$ 238.4	
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*		
Acquisition-related charges	a	(19.6)
Restructuring, severance and other charges	b	(6.4)
Non-GAAP SG&A expenses (1)	\$ 212.4	
GAAP Other expense (income), net	\$ 59.9	
Non-GAAP Other expense (income), net	\$ 59.9	

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 March 31, 2023 was \$13.1 million. The gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended March 31, 2023 was \$13.1 million.

* 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	For the three months ended		For the twelve months ended													
	Mar. 31, 2023		Mar. 31, 2023	Dec 31, 2022	Mar. 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018							
	<i>(Dollars in millions)</i>															
Net cash provided by operating activities	\$	1,010.9	\$	3,529.9	\$	3,337.9	\$	2,959.1	\$	2,786.4	\$	1,968.1	\$	1,373.0	\$	1,389.7
Less Capital expenditures	\$	(84.9)	\$	(336.1)	\$	(351.5)	\$	(289.5)	\$	(250.4)	\$	(200.3)	\$	(149.2)	\$	(86.5)
Free cash flow	\$	925.9	\$	3,193.9	\$	2,986.5	\$	2,669.6	\$	2,536.0	\$	1,767.8	\$	1,223.8	\$	1,303.2
Free cash flow	\$	925.9	\$	3,193.9	\$	2,986.5	\$	2,669.6	\$	2,536.0	\$	1,767.8	\$	1,223.8	\$	1,303.2
Revenue	\$	2,432.6	\$	10,627.7	\$	10,483.7	\$	8,650.6	\$	8,165.7	\$	6,073.0	\$	5,278.6	\$	4,304.5
Free cash flow margin		38.1%		30.1%		28.5%		30.9%		31.1%		29.1%		23.2%		30.3%
Free Cash Flow Conversion calculation																
Free cash flow	\$	925.9														
Non-GAAP net income attributable to KLA	\$	760.7														
Free cash flow conversion		121.7%														
GAAP metric comparable to Free Cash Flow Conversion																
Net cash provided by operating activities	\$	1,010.9														
GAAP net income attributable to KLA	\$	697.8														
GAAP metric comparable to free cash flow conversion		144.9%														
Cash paid for dividends	\$	180.9	\$	710.6												
Cash paid for share repurchases	\$	478.2	\$	3,496.6												
Cash paid for forward contract	\$	-	\$	900.0												
Capital returns	\$	659.0	\$	5,107.3												
Capital returns as a percentage of free cash flow				159.9%												

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

Q4 FY2023 Guidance Range:

<i>(In millions, except per share \$ and percentages)</i>			
		Low	High
GAAP diluted net income per share		\$ 3.87	\$ 5.07
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	c	(0.14)	(0.14)
Non-GAAP diluted net income per share		\$ 4.23	\$ 5.43
Shares used in diluted shares calculation		137.5	137.5
GAAP gross margin		57.58%	59.85%
Acquisition-related charges	a	2.14%	1.87%
Restructuring, severance and other charges	b	0.03%	0.03%
Non-GAAP gross margin		59.75%	61.75%
GAAP operating expenses		\$ 557	\$ 569
Acquisition-related charges	a	(22)	(22)
Restructuring, severance and other charges	b	(1)	(1)
Non-GAAP operating expenses		\$ 534	\$ 546

Note: The guidance as of April 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 gains, 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, non-GAAP net income per diluted share, 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 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 to non-GAAP net income:

- Acquisition-related charges primarily include amortization of intangible assets and transaction costs associated with our acquisitions and dispositions.
- Restructuring, severance and other charges primarily include costs associated with employee severance, acceleration of recognition of certain stock-based compensation arrangements and other compensation expenses, and other exit costs.
- Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.
- 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.



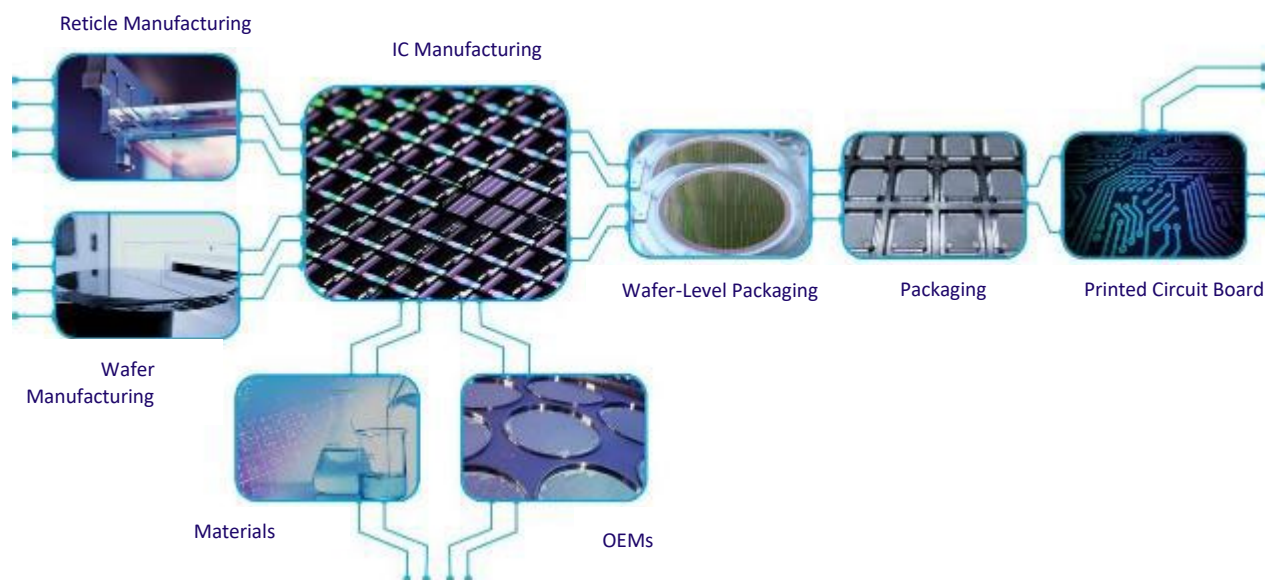
KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

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



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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, including existing and future bank failures; 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.