KLA

Keep Looking Ahead

Letter to Shareholders

Q2 Fiscal 2026

QUARTER ENDED DECEMBER 31, 2025 | REPORTED JANUARY 29, 2026



Dear KLA Shareholders,

This letter reviews KLA's overall performance for calendar 2025, the business and financial highlights for the December 2025 quarter, guidance for the March 2026 quarter, and industry growth views for calendar 2026.

Calendar 2025 Recap

KLA delivered another year of relative growth outperformance, strong profitability and free cash flow (FCF) generation, and healthy returns to shareholders in calendar 2025. The record results demonstrate KLA's unique position for sustained outperformance in the Artificial Intelligence (AI) era, guided by the KLA Operating Model. In calendar 2025, revenue grew 17% to a record $12.745 billion, with our process control systems business outpacing forecasted low-double-digit growth from the industry by several points. Non-GAAP earnings per share grew 29% year over year, demonstrating the strong leverage in our model. KLA is also expected to grow process control market share in 2025. KLA's industry leadership in process control finds us playing a role in supporting all the major growth trends in semiconductor manufacturing instrumental to AI, including advanced logic, high bandwidth memory, and advanced packaging.

KLA process control system revenue grew by 19%, confirming the continuation of KLA's multi-year increase in share of the overall WFE market. In addition, KLA's Services business grew 15% to $2.9 billion for the year. This result was slightly ahead of Services' long-term growth target of 12-14%, despite the ongoing negative impact of export controls limiting Services' activity with certain customers. It is clear from our results in calendar 2025 that the relevance of process control continues to grow, and KLA's comprehensive product portfolio is well positioned to capitalize on this trend.

For calendar 2025, KLA maintained industry-leading non-GAAP gross and operating margins of 62.8% and 43.6%, respectively. The company also grew free cash flow 30% to $4.4 billion and returned $3.0 billion in a combination of dividends and share buybacks. KLA's consistent cash flow generation ranks the company in the top tier of all public companies, pointing to KLA's financial strength to invest consistently in new innovation, enabling growth opportunities across our technology portfolio, along with making the investments in capacity required to support our growth while still maintaining a consistent return of capital to shareholders.

Calendar 2025 – Financial Highlights From a Record Year

+17%
Revenue Growth
Revenue $12.74B

62.8%
Gross Profit Margin*
Gross Profit $8.0B*

43.6%
Operating Profit Margin*
Operating Profit $5.6B*



(Top) The 39xx Series "GEN 5" has played a critical role in defect discovery for advanced devices and in the transition to EUV lithography.

30%
FCF Growth*
FCF $4.4B

37%
Net Income Margin*
EPS $35.44***

$3.0B
Capital Returns
Dividends + Buybacks

Uniquely Benefiting From AI Drivers Across All Major WFE Growth Markets

* 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.

December 2025 Quarter Results

Turning now to the December quarter results, KLA delivered strong results across the board. Revenue was $3.3 billion, with non-GAAP diluted EPS at $8.85 and GAAP diluted EPS of $8.68.

KLA's leadership in process control uniquely positions the company in the critical path of the infrastructure build-out required to support AI. Demand for leading-edge logic, DRAM led by high-bandwidth memory (HBM) and advanced packaging capabilities were again key drivers of KLA's performance in the quarter. Add to this our Services business growing mid single digits sequentially, and KLA is benefiting from multiple growth vectors. Investment in scaling AI infrastructure and capabilities has accelerated growth at the leading-edge of the semiconductor industry, driving higher levels of new designs, increased complexity, shorter product cycles, higher-value wafers, and rising demand for advanced packaging. In DRAM, AI-driven investments have mostly centered on HBM, which demands superior performance, improved reliability, reduced redundancy, and advanced logic circuitry integrated into the base die that controls the HBM stack.

The growing importance of process control in the semiconductor and advanced packaging manufacturing process is driven by ongoing semiconductor scaling, the integration of new architectures and materials, and the increasing diversity and complexity of advanced device designs. Specifically, process control accelerates time-to-results by resolving process integration challenges during the research and development (R&D) and early fab ramp phase, while also optimizing and monitoring yield in high-volume manufacturing. The rapid growth of high-value designs at the leading edge presents new challenges for our customers as they optimize yield, limit process variability, drive capital efficiency, and manage delivery timing in a high-volume production environment. These dynamics serve as a tailwind for higher levels of investment. Beyond traditional challenges in the front-end of the wafer manufacturing process, the evolution and growing complexity of advanced packaging are generating new demand and opportunities for KLA's process control and process solutions. Finally, as KLA systems become more technologically advanced and have longer service lives in fabs, our Service business continues to gain strategic importance, driven by rising customer expectations for tool performance and availability across all customer segments, creating a strong, predictable long-term tailwind for overall KLA revenue growth.

KLA's Operating Model positions us to meet this growing demand with a rigorous focus on customer collaboration, productizing new innovations in our product roadmaps, and scaling our manufacturing and service operations to execute and capitalize on compelling industry growth and increasing process control relevance.

Top 5 Highlights December 2025 Quarter

First, KLA delivered record quarterly revenue of $3.3 billion, a 7% year-over-year increase for the quarter, and capping a year of 17% year-over-year growth. This was fueled by continued investment in leading-edge foundry/logic and high bandwidth memory (HBM) in DRAM. In foundry/logic, the continuation of scaling with an increasing pipeline of design starts, adoption of larger die sizes in advanced architectures, and increasing capital intensity continue to serve as long-term secular drivers that uniquely benefit process control. In memory, increasing performance specs, reduced redundancy, and increasing logic content in devices supporting high performance compute (HPC) applications are driving structurally higher process control intensity across all customers.

Second, AI remains a core driver of KLA's performance and a key factor in our growing industry leadership. KLA's advanced systems apply AI-driven analytics to deliver actionable insights that streamline chip manufacturing and accelerate innovation and time-to-yield for next-generation AI applications. Roughly ten years ago, KLA began integrating AI into our systems and rearchitecting our compute architecture to a GPU-centric design, enabling simultaneous workloads and improved algorithmic performance at a lower cost compared to CPU-based computing alternatives. We believe that our experience reflects the compelling capabilities, cost, and power consumption available with GPU-based compute architectures and is fueling the ongoing HPC infrastructure buildout. Over the past five years, we have enabled our entire product portfolio with these capabilities. KLA's innovative architecture enhances computational throughput, reduces latency, and delivers superior cost efficiency and time-to-results. Future KLA innovations with AI will produce actionable data for our customers that accelerate system performance, reduce the cost of ownership, and improve their return on investment in KLA systems.

Third, our advanced packaging portfolio continues to grow rapidly. The rising demand for more powerful systems of chips is driving advanced packaging. This trend is increasing the value of process control in the chip package and fueling significant growth in this expanding market for KLA. Customer adoption of KLA's advanced packaging portfolio demonstrates the success of our strategic market diversification and validates the strength of our current product capabilities and our long-term technology roadmap. KLA's advanced packaging systems revenue continues to gain momentum through a combination of market share gains across all customer segments and intensity gains. KLA continues to see strong momentum in advanced packaging revenue growth and market share with calendar 2025 total systems revenue of approximately $950 million, representing over 70% year-over-year growth, above our forecast from last quarter driven by our process control portfolio. For calendar 2026, we expect this momentum to continue with year-over-year percentage growth expectations in the mid-teens driven by faster than market growth from our process control products.

Fourth, the KLA Services business grew to $786 million in the December quarter, up 6% sequentially, and 18% year-over-year. This was the 16th consecutive year of annual service revenue growth with a compound annual growth rate (CAGR) of 12.4% over that timeframe. The consistency and resiliency of our service contract penetration remain key aspects of this differentiated business in the industry.

Finally, the December quarter remained strong on both cash flow and capital return fronts. Quarterly free cash flow was a record $1.26 billion. Over the past 12 months, free cash flow was $4.4 billion, with a free cash flow margin (free cash flow as a % of revenue) of 34% over the same period. Over the past 5 years, KLA's free cash flow has grown at a compounded annual growth rate of 20%. Total capital return in the December quarter was $797 million, comprised of $548 million in share repurchases and $250 million in dividends. Total capital return over the past twelve months was $3 billion.

KLA's sustainable outperformance reinforces the strength of our leadership in process control and the power of our portfolio. It also underscores the critical role KLA's products and services play in helping enable AI-fueled semiconductor industry growth. Our consistent execution reflects the resilience of the KLA Operating Model, the talent of our global team, and our disciplined approach to capital allocation focused on long-term investment and maximizing total shareholder value.

December 2025 Quarter Financial Highlights

KLA's December quarter results reflect strong year-over-year growth with an industry-leading margin profile. The results also exemplify our market leadership, consistent business execution, and the dedication of our global teams in meeting customer commitments.

Revenue was $3.3 billion, above the guidance midpoint of $3.225 billion. Non-GAAP diluted EPS was $8.85, and GAAP diluted EPS was $8.68, each above the midpoint of the respective guidance ranges.

Non-GAAP gross margin was 62.6%, 60 basis points above the midpoint of guidance due to stronger than modeled service performance and manufacturing efficiencies. Non-GAAP operating expenses were $653 million and included $384 million in R&D and $269 million in SG&A. Non-GAAP operating margin was 42.8%. Non-GAAP other income and expense, net, was $32 million. The quarterly non-GAAP effective tax rate was 15%. At the guided tax rate of 14%, Non-GAAP earnings per share would have been $8.99.

$3.3B
Revenue

62.6%
Gross Margin*

42.8%
Operating Margin*

$1.2B
Net Income*



(Right) The KLA 295x Series or "GEN4" is the industry-standard for inline monitoring. It pairs sensitivity with optical wafer defect inspection speed, enabling Discovery at the Speed of Light – the combination of fast defect discovery and full characterization of defect issues at the optimal cost of ownership.

$8.85
Non-GAAP Diluted EPS

$8.68
GAAP Diluted EPS

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

Non-GAAP net income was $1.17 billion, GAAP net income was $1.15 billion, cash flow from operations was $1.37 billion, and free cash flow was $1.26 billion. The company had 132 million diluted weighted average shares outstanding for the quarter.

Breakdown of Revenue by Reportable Segments and End Markets

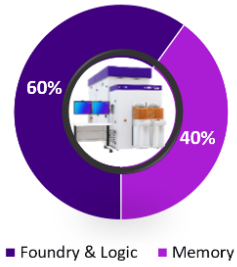
Revenue for the Semiconductor Process Control segment in the December quarter, including its associated Services business, was $3.0 billion, up 4% sequentially, and 9% on a year-over-year basis.

The approximate Semi Process Control systems-only mix for our foundry/logic and memory semiconductor customers was approximately 60% for foundry/logic and 40% for memory, with DRAM accounting for 75% of memory revenue, and NAND accounting for the remaining 25%.

	Revenue Q2-FY26	Y/Y Growth	Q/Q Growth	Quarterly Revenue %	Revenue CY25	CY25 Growth
Semiconductor Process Control (Systems + Services)	$3,005	+9%	+4%	91%	$11,521	+18%
Specialty Semiconductor Process (Systems + Services)	$140	-12%	+17%	4%	$559	+3%
PCB and Component Inspection (Systems + Services)	$152	-6%	-20%	5%	$664	+16%
Total:	**$3,297**	**+7%**	**+3%**		**$12,745**[1]	**17%**

[1] Amounts may not sum due to rounding and the effects of FX and corporate allocations are not allocated to segments
[2] Represents approximate Semi Process Control system-only sales to Foundry/Logic customers or Memory customers

Q2-FY26: Semi Process Control End Market System Revenue[2]



■ Foundry & Logic ■ Memory

Revenue for the Specialty Semiconductor Process business, which includes its associated Services business, was $140 million, up 17% sequentially and down 12% on a year-over-year basis.

PCB and Component Inspection revenue, including its related Services business, was $152 million, down 20% sequentially and down 6% year-over-year.

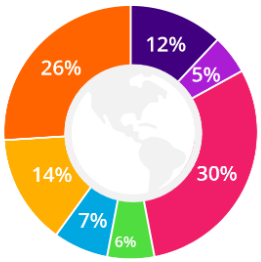
Breakdown of Revenue by Major Products and Regions

Wafer Inspection systems were up 2% sequentially, and rose 1% year-over-year in the December quarter, totaling 48% of revenue in the quarter. Wafer Inspection grew 25% in calendar 2025, outpacing WFE growth inclusive of advanced packaging, reflecting both share and intensity gains.

	Revenue Q2-FY26	Y/Y Growth	Q/Q Growth	Quarterly Revenue %	Revenue CY25	CY25 Growth
Wafer Inspection	$1,573	+1%	+2%	48%	$6,377	+25%
Patterning	$696	+31%	+4%	21%	$2,453	+12%
Specialty Semi Process	$122	-15%	+21%	4%	$483	+1%
PCB and Component Inspection	$80	-14%	-32%	2%	$387	+25%
Services	$786	+18%	+6%	24%	$2,903	+15%
Other[2]	$40	-50%	-6%	1%	$141	-47%
Total:	**$3,297**	**+7%**	**+3%**		**$12,745**[1]	**+17%**

[1] Amounts may not sum due to rounding
[2] Included in the Semiconductor Process Control Segment

Q2-FY26 Revenue by Region



■ North America ■ Europe
■ China ■ Rest of Asia
■ Japan ■ Korea
■ Taiwan

Patterning systems, which include metrology and reticle inspection, were up 4% sequentially and 31% year-over-year, accounting for 21% of revenue in the December quarter. Growth in patterning systems revenue was fueled by another strong quarter from our reticle inspection business.

Specialty Semiconductor Process systems revenue was up 21% sequentially and down 15% year-over-year, and finished at 4% of revenue. The Specialty Semiconductor Process business exposes KLA to new growth opportunities beyond process control. This includes both process tools for advanced packaging and specialty device manufacturing.

PCB and Component Inspection systems revenue was down 32% sequentially and down 14% year-over-year, ending at 2% of revenue. For calendar 2025, this business increased 25%. The primary driver of growth in calendar 2025 in this business was the increasing value with more complex processing and more rigorous testing requirements in the final inspection of HPC chip packages.

Services revenue grew 18% year-over-year and 6% sequentially to $786 million, representing 24% of KLA revenue. For calendar 2025, Services rose 15%, above its long-term growth target of 12% to 14%.

Other, which is included in the Semiconductor Process Control segment, was 1% of revenue.

In descending order, the quarterly regional revenue split was China at 30%, Taiwan at 26%, Korea at 14%, North America at 12%, Japan at 7%, rest of Asia at 6%, and Europe at 5% of total revenue.

Strong Investment Grade Balance Sheet

KLA ended the quarter with $5.2 billion in total cash, cash equivalents, and marketable securities, and debt of $5.9 billion. The company has a flexible and attractive bond maturity profile, supported by investment-grade ratings from all three major rating agencies. KLA's balance sheet enables us to fund our growth strategies, both organic and inorganic, and offer attractive capital returns to shareholders.

Balance Sheet Summary[1] ($M)

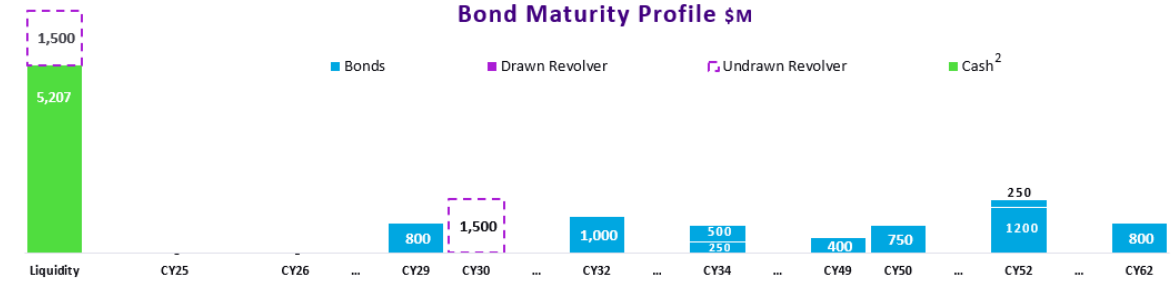
Total Cash [2]	$ 5,207
Working Capital	$ 7,281
Total Assets	$ 16,720
Debt [3]	$ 5,886
Total Shareholders' Equity	$ 5,466

Bond Maturity Profile

Bonds Outstanding	$5.95B
Weighted Average Interest Rate	4.67%
Weighted Average Maturity	18.6 years

Investment Grade Credit Ratings

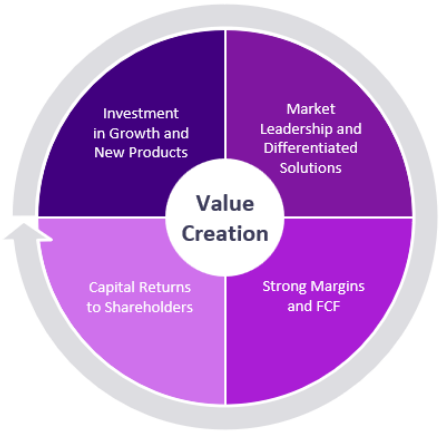
Moody's	A2
S&P	A-
Fitch	A



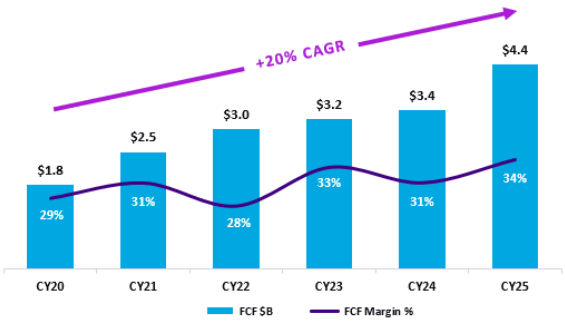
[1] As of 12/31/2025; [2] Total Cash includes Cash, Cash Equivalents and Marketable Securities, [3] $64M in un-amortized debt issuance discounts and costs

FCF Generation Fuels Consistent Capital Return to Shareholders

KLA generates consistent, strong free cash flow, driven by our high-performing operating model. Over the past five calendar years, free cash flow has grown at a 20% CAGR, above the revenue CAGR of 16% over the same time period. This growth, coupled with resiliency across business cycles, helps enable a comprehensive capital return strategy that features double-digit dividend growth and share repurchases to support long-term shareholder value creation. This strategy prioritizes predictable, assertive capital deployment and remains an important differentiator of the KLA investment thesis.



Free Cash Flow[1] and FCF Margin[2]



[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

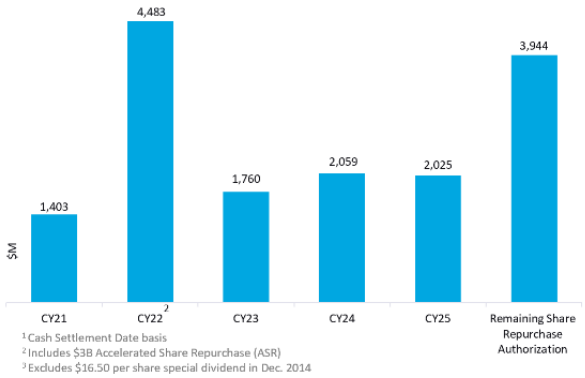
Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases - Last 5 Years[1]

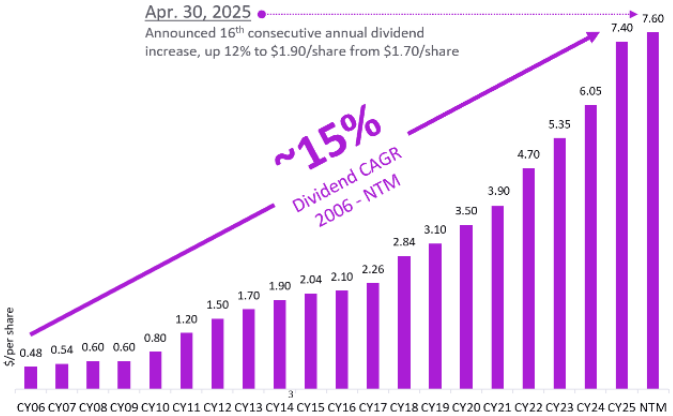
~$441

Avg price per share since 2021



[1] Cash Settlement Date basis
[2] Includes $3B Accelerated Share Repurchase (ASR)
[3] Excludes $16.50 per share special dividend in Dec. 2014

Track Record of Dividend Increases



Free Cash Flow and Capital Return Highlights

KLA is proud of its history of consistent free cash flow generation, high free cash flow margins, and strong free cash flow conversion that runs across all business cycles and economic conditions. KLA has grown the quarterly dividend level in line with an approximately 15% compound annual growth rate target since its inception. The company has also consistently repurchased shares. These capital return actions reflect our focus on assertive capital allocation, confidence in our growth strategies, and long-term business model.

$1.26B
December Quarter
Free Cash Flow*

38%
December Quarter
FCF Margin*

108%
December Quarter
FCF Conversion*



(Above) Surfscan® SP7XP is an advanced wafer defect inspection system developed to discover the smallest defects and imperfections on bare wafers and blanket films used in semiconductor manufacturing. It helps semiconductor substrate, equipment, materials, and chip manufacturers achieve strict quality standards for producing the most advanced chips.

$548M
December Quarter
Share Buyback

$2.03B
CY25 Share Buyback

$250M
December Quarter
Dividends Paid

$983M
CY25 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 Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

Semiconductor Industry Demand Environment

Over the past ten years, the semiconductor industry has experienced substantial growth and diversification. Semiconductors are a significant enabler of the global economy, and as semiconductor end markets continue to diversify, we see ongoing innovations in semiconductor designs and manufacturing processes. Today's industry growth is driven by expanding demand for HPC and data center investment, fueled by the rapid and widespread adoption of AI. Combined with the growing use of semiconductor-based technologies and diversified end-market requirements, these factors are fostering stronger, more resilient long-term growth across the industry.

AI is driving a pivotal technology inflection point, accelerating innovation, and compelling leading-edge demand for both logic and memory while simultaneously igniting the need for advanced packaging. KLA's comprehensive portfolio of solutions is uniquely positioned to support this growth, enabling advanced requirements and powering the global buildout and modernization of data centers serving both commercial and sovereign HPC requirements.

For providers of leading-edge semiconductor production capacity, rapid growth combined with increasing design diversity, shorter product cycles, and larger die sizes creates significant opportunities but also heightens the challenge of accelerating time-to-market while ensuring that stringent performance requirements are met in high-value devices. These dynamics reinforce KLA's growing relevance, as reflected in our expectation of continued growth in our share of the WFE market over the

coming years. Our broad product portfolio plays a critical role in enabling customer success. Additionally, the emerging and fast-growing advanced packaging market further strengthens KLA's relative position. Finally, rising semiconductor content across diverse end markets, coupled with strategic investments in legacy nodes, remains a key driver of dependable, long-term growth for KLA and the semiconductor equipment industry.

Industry Outlook

The industry outlook continues to be driven by increasing investment in leading-edge logic, leading-edge memory via HBM, and the increasing adoption and complexity of advanced packaging.

The growth of advanced packaging supporting heterogeneous chip integration has opened a significant new market opportunity for KLA. What was once captured as a rounding error in WFE forecasts has now grown into an approximately $11 billion plus market experiencing rapid growth and adoption, according to KLA's internal estimates. This is particularly true as chip densities increase and the processing required for packaging creates risk for our customers in integrating high-value devices in a strong demand environment. For KLA, this creates a new served available market (SAM) that is poised to augment the company's revenue growth over the next several years. Given this, we plan to include this market in our forecasts going forward. The market and technology roadmap for leading-edge WFE supporting HPC is driving relative inflections for process control. These drivers, coupled with the evolving complexity of advanced packaging, support an even broader market opportunity for the company.

Calendar 2026 Market Outlook

The industry outlook for calendar 2026 has strengthened over the past few months. We expect the core WFE market to grow in the high-single to low-double digits, reaching the low $120 billion range, up from approximately $110 billion in calendar 2025. In addition, we expect the advanced packaging component of the market to grow at a similar rate to approximately $12 billion for a total market forecast in the mid $130 billion range, an increase in the low double digits versus our forecast for 2025. The customer spending profile is expected to broaden across all major end markets.. Given KLA's strong business momentum, expanding market share, and higher process control intensity at the leading-edge across all segments, we begin calendar 2026 well-positioned to outperform and increase our share of the overall market. We are experiencing strong customer momentum that has accelerated over the past three months and is reflected in our system backlog and sales funnel. Our view today is that the first half of calendar 2026 revenue will grow mid-single digits compared to the second half of calendar 2025, with accelerating growth in the second half of calendar year 2026. Customer lead times for our products are increasing due to supply constraints, limiting first-half growth potential across many of our products.

KLA's unique product portfolio differentiation and value proposition are focused on enabling technology transitions, accelerating process node capacity ramps, and ensuring yield entitlement in high-volume manufacturing. The market environment and the complexity of our customers' technology roadmaps are compelling, presenting both challenges and opportunities for KLA to maintain its relative outperformance. In this industry environment, we remain focused on supporting customers, investing for the future, executing product roadmaps, and driving productivity across the enterprise.

Outlook for the March 2026 Quarter

KLA's March quarter guidance is for revenue of $3.35 billion, plus or minus $150 million. Foundry/Logic revenue from semiconductor customers is forecasted to be consistent with the December quarter at approximately 60%, and memory is expected to be approximately 40% of Semi Process Control systems revenue to semiconductor customers. Within memory, DRAM is expected to be roughly 85% and NAND the remaining 15%. As always, these business mix approximations pertain solely to our semiconductor customers and do not fully reflect our total semiconductor process control systems revenue.

March 2026 Quarter Guidance

Revenue	$3.35B +/- $150M
Non-GAAP Gross Margin*	61.75% +/- 1%
GAAP Diluted EPS	$8.85 +/- $0.78
Non-GAAP Diluted EPS*	$9.08 +/- $0.78

Macro Assumptions

Semi PC Revenue By End Market

- Foundry/Logic: ~60%
- Memory: ~40% → DRAM ~85% | NAND ~15%

Model Assumptions

- Non-GAAP Operating Expenses*: ~$645M
- Other Income & Expense (OIE)*, Net: ~$25M
- Effective Tax Rate*: ~14.5%
- Diluted Share Count: ~131.7M

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

Strong, resilient and delivering shareholder value

Non-GAAP gross margin for the quarter is forecasted to be 61.75% plus or minus 1 percentage point. Although volume levels are relatively consistent quarter to quarter, product mix is modestly weaker versus the December quarter. This guidance also includes the incremental impact of the rapidly escalating cost of DRAM chips used in the company's image processing computers that ship with our systems, creating a headwind to our gross margin expectations. This pricing environment has changed profoundly over the past two to three months and has been highlighted regularly in industry press and analyst reports. While we expect this pricing environment to be transitory, current modeling suggests that this situation will persist through calendar 2026 and have a roughly 75bps to 100bps negative impact on gross margins for the calendar year. As DRAM capacity additions accelerate over the next several quarters, we expect this cost dynamic to improve as we exit the calendar year, and we are modeling a return to a normalized pricing environment for our memory requirements in our longer-term business forecasts. Considering this impact, coupled with product mix and volume expectations, we expect gross margins to be approximately 62% plus or minus 50 basis points in calendar 2026.

Non-GAAP operating expenses are forecasted to be approximately $645 million in the March quarter. For calendar 2026, we will continue to prioritize next-generation product development and company infrastructure investments to support expected revenue growth over the next several years, and we anticipate these expenses to grow roughly $15 million sequentially throughout the calendar year. Our business model is designed to deliver 40% to 50% incremental non-GAAP operating margin leverage on revenue growth over the long run.

Other model assumptions include: Non-GAAP other income and expense, net, of approximately $25 million for the March quarter and we expect it to remain at this quarterly level for the calendar year. For taxes, our established practice is to provide a non-GAAP effective tax rate assumption for the

calendar year when providing guidance for the March quarter. Given expectations of geographic distribution of revenue and profit, Pillar 2 adoption, and recent tax changes in the United States, the non-GAAP planning tax rate for 2026 is 14.5%. We would expect some quarter-to-quarter tax rate variance due to discrete items. For the March quarter, non-GAAP diluted EPS is expected to be $9.08 plus or minus $0.78, and GAAP diluted EPS is expected to be $8.85 plus or minus $0.78. EPS guidance is based on a fully diluted share count of approximately 131.7 million shares.

In Conclusion

Our near-term revenue guidance reflects consistent growth and relative strength. We expect to outperform the WFE market in calendar 2026 driven by multiple tailwinds driving rising process control intensity and growth in advanced packaging. KLA continues to focus on delivering a differentiated product portfolio that addresses customers' technology roadmap requirements and production efficiency objectives which are driving our longer-term relevance and growth expectations. The KLA Operating Model guides our best-in-class execution Our focus on customer success, innovative solutions, and operational excellence drives industry-leading financial performance, enabling us to return capital consistently and predictably.

KLA's business is uniquely positioned to capitalize on today's technology inflections and growth drivers. We are encouraged by strengthening customer confidence and engagement, which informs our business forecast. The long-term secular trends driving semiconductor industry demand and investments in WFE and advanced packaging are compelling and represent a relative performance opportunity for KLA over the next several years.

KLA's business has gone from being primarily indexed to leading-edge R&D investment and fab capacity ramp, to now addressing all growth phases in WFE and advanced packaging, enabling leading-edge process development, time to results in fab capacity ramps, and optimizing yield in a high-volume manufacturing environment. In addition, the growing investment in custom silicon, particularly among hyperscalers developing their own custom chips, has led to a proliferation of new higher-value design starts and increased demand on our customers to deliver performance, volume, and time-to-market. As design mix and complexity grows, so does the need for advanced process control. As a result, KLA is seeing consistent growth in process control intensity, as each new chip design requires rigorous inspection, metrology, and yield optimization solutions. KLA is uniquely positioned to benefit from these trends as we expand our market leadership and deliver differentiated value to our customers.

Sincerely,



Rick Wallace, CEO



Bren Higgins, CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

(In millions, except EPS $ and percentages)		For the three months ended Dec. 31, 2025	For the twelve months ended Dec. 31, 2025
GAAP net income		**$ 1,145.7**	**$ 4,557.9**
Adjustments to reconcile GAAP net income to non-GAAP net income*			
Acquisition-related charges	a	49.0	202.4
Restructuring, severance and other charges	b	-	2.1
Income tax effect of non-GAAP adjustments	c	(18.1)	(73.3)
Discrete tax items	d	(8.4)	10.9
Non-GAAP net income		**$ 1,168.2**	**$ 4,700.1**
GAAP diluted EPS		**$ 8.68**	**$ 34.37**
Non-GAAP diluted EPS		**$ 8.85**	**$ 35.44**
Shares used in diluted shares calculation		132.0	132.6
GAAP income tax expense		**$ 184.6**	
Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*			
Income tax effect of non-GAAP adjustments	c	18.1	
Discrete tax items	d	8.4	
Non-GAAP income tax expense		**$ 211.1**	
GAAP income before income taxes		**$ 1,330.3**	
Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*			
Acquisition-related charges	a	49.0	
Non-GAAP income before income taxes		**$ 1,379.3**	
GAAP income tax rate		**13.9%**	
Non-GAAP income tax rate		**15.3%**	
GAAP other expense (income), net		**$ 31.8**	
Non-GAAP other expense (income), net		**$ 31.8**	

(Dollars in millions)		For the three months ended Dec. 31, 2025	For the twelve months ended Dec. 31, 2025
GAAP gross margin		**61.4%**	**61.6%**
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*			
Acquisition-related charges	a	1.2%	1.2%
Non-GAAP gross margin		**62.6%**	**62.8%**
GAAP research and development ("R&D") expenses		**$ 383.9**	
Non-GAAP R&D expenses		**$ 383.9**	
GAAP selling, general and administrative ("SG&A") expenses (1)		**$ 279.9**	
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*			
Acquisition-related charges	a	(11.0)	
Non-GAAP SG&A expenses (1)		**$ 268.9**	
GAAP operating expense (1)		**$ 663.8**	
Adjustments to reconcile GAAP operating expense to non-GAAP operating expense*			
Acquisition-related charges	a	(11.0)	
Non-GAAP operating expense (1)		**$ 652.8**	
GAAP operating income (1)		**$ 1,362.1**	**$ 5,351.5**
Adjustments to reconcile GAAP operating income to non-GAAP operating income*			
Acquisition-related charges	a	49.0	202.4
Restructuring, severance and other charges	b	-	2.1
Non-GAAP operating income (1)		**$ 1,411.1**	**$ 5,556.0**
GAAP operating margin		**41.3%**	**42.0%**
Non-GAAP operating margin		**42.8%**	**43.6%**

Amounts may not sum due to rounding

* Refer to "Reconciliation of Non-GAAP 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"), 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 and the twelve months ended December 31, 2025 was $6.4 million and $44.8 million, respectively. The gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter and the twelve months ended December 31, 2025 was $6.2 million and $43.6 million, respectively.

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures

(Dollars in millions)	For the three months ended Dec. 31, 2025	For the twelve months ended Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
Net cash provided by operating activities	$ 1,367.6	$ 4,766.3	$ 3,647.3	$ 3,476.0	$ 3,337.9	$ 2,786.4	$ 1,968.1
Less Capital expenditures	(105.6)	(384.0)	(285.3)	(308.4)	(351.5)	(250.4)	(200.3)
Free cash flow	**$ 1,262.0**	**$ 4,382.3**	**$ 3,362.1**	**$ 3,167.5**	**$ 2,986.5**	**$ 2,536.0**	**$ 1,767.8**
Free cash flow	$ 1,262.0	$ 4,382.3	$ 3,362.1	$ 3,167.5	$ 2,986.5	$ 2,536.0	$ 1,767.8
Revenue	$ 3,297.1	$ 12,744.5	$ 10,847.0	$ 9,671.4	$ 10,483.7	$ 8,165.7	$ 6,073.0
Free cash flow margin	**38.3%**	**34.4%**	**31.0%**	**32.8%**	**28.5%**	**31.1%**	**29.1%**

Free cash flow	$ 1,262.0
Non-GAAP net income	$ 1,168.2
Free cash flow conversion	**108.0%**
Net cash provided by operating activities	$ 1,367.6
GAAP net income	$ 1,145.7
GAAP metric comparable to free cash flow conversion	**119.4%**

	For the three months ended Dec. 31, 2025	For the twelve months ended Dec. 31, 2025
Cash paid for dividends	$ 249.7	$ 983.4
Cash paid for share repurchases	547.8	2,025.3
Capital returns	**$ 797.4**	**$ 3,008.7**

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 FY2026 Guidance Range:

(Dollars in millions, except per share amounts)		Low	High
GAAP diluted net income per share		**$ 8.07**	**$ 9.63**
Acquisition-related charges	a	0.36	0.36
Income tax effect of non-GAAP adjustments	c	(0.13)	(0.13)
Non-GAAP diluted net income per share		**$ 8.30**	**$ 9.86**
Shares used in diluted shares calculation		131.7	131.7
GAAP gross margin		**59.62%**	**61.62%**
Acquisition-related charges	a	1.13%	1.13%
Non-GAAP gross margin		**60.75%**	**62.75%**
GAAP operating expenses		**$ 649**	**$ 661**
Acquisition-related charges	a	(10)	(10)
Non-GAAP operating expenses		**$ 639**	**$ 651**
GAAP other expense (income), net		**$ 25**	**$ 25**
Non-GAAP other expense (income), net		**$ 25**	**$ 25**
GAAP tax rate		**13.7%**	**13.7%**
Effect of acquisition-related charges	a	0.8%	0.8%
Non-GAAP tax rate		**14.5%**	**14.5%**

Note: The guidance as of January 29, 2026 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.

CY 2026 Guidance:

(Dollars in millions)		CY 2026	
GAAP operating expenses		**$ 2,706**	
Acquisition-related charges	a	(36)	
Non-GAAP operating expenses		**$ 2,670**	
		Low	**High**
GAAP gross margin		**60.5%**	**61.5%**
Acquisition-related charges	a	1.0%	1.0%
Non-GAAP gross margin		**61.5%**	**62.5%**
GAAP other expense (income), net		**$ 100**	
Non-GAAP other expense (income), net		**$ 100**	
GAAP tax rate		**13.8%**	
Effect of acquisition-related charges	a	0.7%	
Non-GAAP tax rate		**14.5%**	

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:

a) Acquisition-related charges primarily include amortization of intangible assets. Although we exclude the effect of amortization of all acquired intangible assets from these non-GAAP financial measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase price accounting arising from acquisitions, and such amortization of intangible assets related to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Investors should note that the use of these intangible assets contributed to our revenues earned during the periods presented and are expected to contribute to our future period revenues as well.

b) Restructuring, severance and other charges primarily include costs associated with employee severance and other exit costs.

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

d) 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

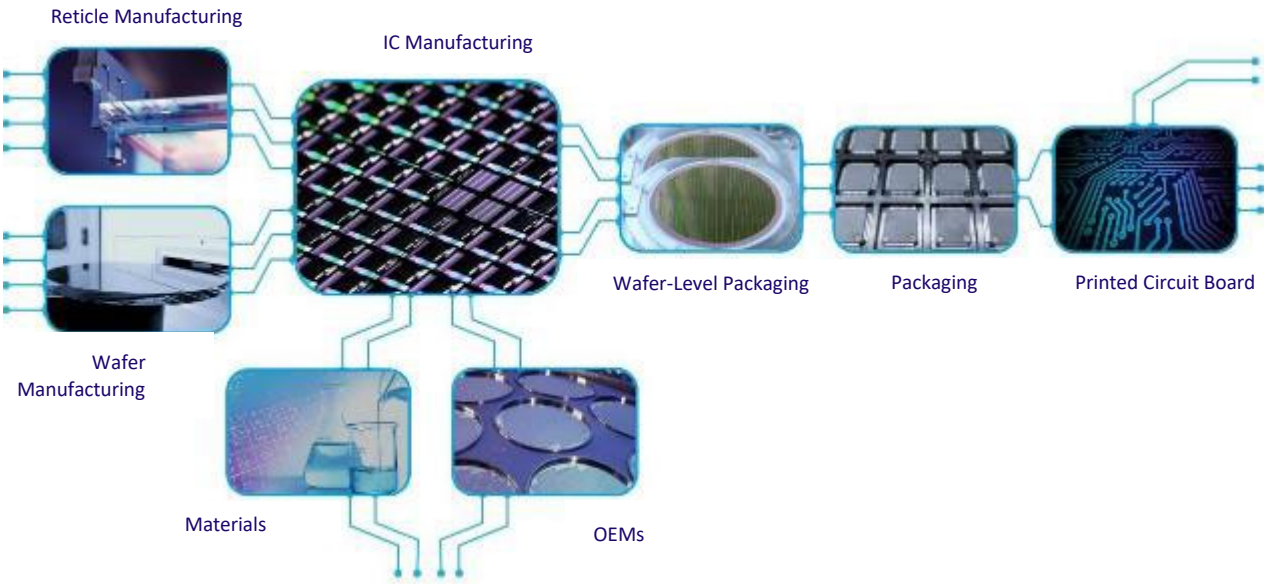
KLA Corporation (KLA) is the world's leading supplier of process control and yield management solutions for the semiconductor and related microelectronics industries. The company's comprehensive portfolio of products, software, analysis, services, and expertise is designed to help Integrated Circuit (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, and printed circuit boards. In close collaboration with leading customers across the globe, our expert teams of physicists, engineers, data scientists and problem-solvers design solutions that move the world forward. Additional information may be found at: www.kla.com.

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



KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

Semiconductor Manufacturing	Related Electronics Industries
• IC Manufacturing • Wafer Manufacturing • Reticle Manufacturing • IC Packaging • Printed Circuit Board	• Compound Semiconductor • Power Device • LED • MEMS • Data Storage/Media Head • 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, WFE, and advanced packaging; (ii) our market position for the future and future growth in demand for our products; (iii) our forecast of financial measures for the March quarter and calendar 2026; (iv) our future revenues by customer segment for our Semi Process Control systems; (v) our long-term financial targets and underlying assumptions; (vi) our future investment plan on R&D, technology, manufacturing capacity and infrastructure; (vii) the impact of DRAM pricing escalation due to capacity constraints on our gross margin for the March quarter and calendar 2026; and (viii) 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: our vulnerability to a weakening in the condition of the financial markets and the global economy; risks related to our international operations; evolving Bureau of Industry and Security of the U.S. Department of Commerce rules and regulations and their impact on our ability to sell products to and provide services to certain customers in China; tariffs and other trade restrictions; costly intellectual property disputes that could result in our inability to sell or use the challenged technology; risks related to the legal, regulatory and tax environments in which we conduct our business; differing stakeholder expectations, requirements and attention to environment, social and governance ("ESG") matters and the resulting costs, risks and impact on our business; unexpected delays, difficulties and expenses in executing against our environmental, climate, or other ESG targets, goals and commitments; our ability to attract, retain and motivate key personnel; our vulnerability to disruptions and delays at our third-party service providers; cybersecurity threats, cyber incidents affecting our and our business partners' systems and networks; our inability to access critical information in a timely manner due to system failures; risks related to acquisitions, integrations, strategic alliances or collaborative arrangements; climate change, earthquake, flood or other natural catastrophic events, public health crises or terrorism and the adverse impact on our business operations; the war between Ukraine and Russia, escalation of hostilities in the Middle East, and the significant military activity in those regions; lack of insurance for losses and interruptions caused by terrorists and acts of war, and our self-insurance of certain risks including earthquake risk; risks related to fluctuations in foreign currency exchange rates; risks related to fluctuations in interest rates and the market values of our portfolio investments; risks related to tax and regulatory compliance audits; any change in taxation rules or practices and our effective tax rate; compliance costs with federal securities laws, rules, regulations, NASDAQ requirements, and evolving accounting standards and practices; 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 vulnerability to a highly concentrated customer base; the cyclicality of the industries in which we operate; our ability to timely develop new technologies and products that successfully address changes in the industry; risks related to artificial intelligence; our ability to maintain our technology advantage and protect proprietary rights; our ability to compete in the industry; availability and cost of the materials and parts used in the production of our products; our ability to operate our business in accordance with our business plan; risks related to our debt and leveraged capital structure; we may not be able to declare cash dividends at all or in any particular amount; 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; our government funding for research and development is subject to audit, and potential termination or penalties; we may incur significant restructuring charges or other asset impairment charges or inventory write offs; we are subject to risks related to receivables factoring arrangements and compliance risk of certain settlement agreements with the government; and risks related to the Court of Chancery of the State of Delaware being the sole and exclusive forum for certain actions and proceedings. 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's Annual Report on Form 10-K for the year ended June 30, 2025, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). KLA assumes no obligation to, and does not currently intend to, update these forward-looking statements.