

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2023

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-09992

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**KLA CORPORATION**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

04-2564110  
(I.R.S. Employer  
Identification No.)

One Technology Drive, Milpitas, California  
(Address of principal executive offices)

95035  
(Zip Code)

(408) 875-3000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	KLAC	The Nasdaq Stock Market, LLC The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of January 16, 2024, there were 135,233,651 shares of the registrant's Common Stock, \$0.001 par value per share, outstanding.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**KLA CORPORATION**  
**Condensed Consolidated Balance Sheets**  
(Unaudited)

<b>(In thousands)</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,665,054	\$ 1,927,865
Marketable securities	1,677,940	1,315,294
Accounts receivable, net	1,843,878	1,753,361
Inventories	3,038,628	2,876,784
Other current assets	523,221	498,728
Total current assets	8,748,721	8,372,032
Land, property and equipment, net	1,088,824	1,031,841
Goodwill, net	2,086,204	2,278,820
Deferred income taxes	902,163	816,899
Purchased intangible assets, net	786,233	935,303
Other non-current assets	668,356	637,462
Total assets	<u>\$ 14,280,501</u>	<u>\$ 14,072,357</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 376,671	\$ 371,026
Deferred system revenue	884,027	651,720
Deferred service revenue	446,243	416,606
Short-term debt	749,842	—
Other current liabilities	2,114,214	2,303,490
Total current liabilities	4,570,997	3,742,842
Long-term debt	5,142,884	5,890,736
Deferred tax liabilities	493,968	529,287
Deferred service revenue	221,768	176,681
Other non-current liabilities	807,173	813,058
Total liabilities	11,236,790	11,152,604
Commitments and contingencies (Notes 9, 14 and 15)		
Stockholders' equity:		
Common stock and capital in excess of par value	2,154,509	2,107,663
Retained earnings	921,466	848,431
Accumulated other comprehensive loss	(32,264)	(36,341)
Total stockholders' equity	<u>3,043,711</u>	<u>2,919,753</u>
Total liabilities and stockholders' equity	<u>\$ 14,280,501</u>	<u>\$ 14,072,357</u>

*See accompanying notes to Condensed Consolidated Financial Statements (unaudited).*

**KLA CORPORATION**  
**Condensed Consolidated Statements of Operations**  
(Unaudited)

<u>(In thousands, except per share amounts)</u>	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
<b>Revenues:</b>				
Product	\$ 1,921,809	\$ 2,463,408	\$ 3,758,473	\$ 4,659,017
Service	564,917	520,479	1,125,209	1,049,294
Total revenues	2,486,726	2,983,887	4,883,682	5,708,311
<b>Costs and expenses:</b>				
Costs of revenues	976,746	1,208,786	1,923,637	2,250,012
Research and development	320,418	332,826	631,632	651,341
Selling, general and administrative	237,244	243,096	476,889	497,076
Impairment of goodwill and purchased intangible assets	219,000	—	219,000	—
Interest expense	74,202	74,280	148,436	148,675
Loss on extinguishment of debt	—	—	—	13,286
Other expense (income), net	(32,154)	(18,074)	(58,893)	(65,080)
Income before income taxes	691,270	1,142,973	1,542,981	2,213,001
Provision for income taxes	108,736	164,178	219,072	208,141
Net income	582,534	978,795	1,323,909	2,004,860
Less: Net income attributable to non-controlling interest	—	—	—	74
Net income attributable to KLA	\$ 582,534	\$ 978,795	\$ 1,323,909	\$ 2,004,786
<b>Net income per share attributable to KLA</b>				
Basic	\$ 4.30	\$ 6.93	\$ 9.74	\$ 14.16
Diluted	\$ 4.28	\$ 6.89	\$ 9.69	\$ 14.09
<b>Weighted-average number of shares:</b>				
Basic	135,539	141,299	135,976	141,564
Diluted	136,254	141,966	136,684	142,268

*See accompanying notes to Condensed Consolidated Financial Statements (unaudited).*

**KLA CORPORATION**  
**Condensed Consolidated Statements of Comprehensive Income**  
(Unaudited)

<b>(In thousands)</b>	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Net income	\$ 582,534	\$ 978,795	\$ 1,323,909	\$ 2,004,860
Other comprehensive income (loss):				
Currency translation adjustments:				
Cumulative currency translation adjustments	3,272	7,462	(3,581)	(12,250)
Income tax (provision) benefit	(878)	279	(618)	279
Net change related to currency translation adjustments	2,394	7,741	(4,199)	(11,971)
Cash flow hedges:				
Net unrealized gains arising during the period	9,806	8,239	8,325	10,007
Reclassification adjustments for net gains included in net income	(8,953)	(12,961)	(16,061)	(23,136)
Income tax benefit	2,675	3,275	3,531	4,463
Net change related to cash flow hedges	3,528	(1,447)	(4,205)	(8,666)
Net change related to unrecognized losses and transition obligations in connection with defined benefit plans	(395)	(416)	(153)	475
Available-for-sale securities:				
Net unrealized gains (losses) arising during the period	14,760	4,511	16,004	(2,453)
Reclassification adjustments for net losses included in net income	61	407	73	581
Income tax (provision) benefit	(3,174)	(1,057)	(3,443)	403
Net change related to available-for-sale securities	11,647	3,861	12,634	(1,469)
Other comprehensive income (loss)	17,174	9,739	4,077	(21,631)
Less: Comprehensive income attributable to non-controlling interest	—	—	—	74
Total comprehensive income attributable to KLA	\$ 599,708	\$ 988,534	\$ 1,327,986	\$ 1,983,155

*See accompanying notes to Condensed Consolidated Financial Statements (unaudited).*

**KLA CORPORATION**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(Unaudited)

(In thousands, except per share amounts)	Common Stock and Capital in Excess of Par Value		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total KLA Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balances as of June 30, 2023	136,750	\$ 2,107,663	\$ 848,431	\$ (36,341)	\$ 2,919,753	\$ —	\$ 2,919,753
Net income	—	—	741,375	—	741,375	—	741,375
Other comprehensive loss	—	—	—	(13,097)	(13,097)	—	(13,097)
Net issuance under employee stock plans	173	(68,237)	—	—	(68,237)	—	(68,237)
Repurchase of common stock	(956)	(14,722)	(444,371)	—	(459,093)	—	(459,093)
Cash dividends (\$1.30 per share) and dividend equivalents declared	—	—	(179,256)	—	(179,256)	—	(179,256)
Stock-based compensation expense	—	48,772	—	—	48,772	—	48,772
Balances as of September 30, 2023	135,967	2,073,476	966,179	(49,438)	2,990,217	—	2,990,217
Net income	—	—	582,534	—	582,534	—	582,534
Other comprehensive income	—	—	—	17,174	17,174	—	17,174
Net issuance under employee stock plans	141	45,427	—	—	45,427	—	45,427
Repurchase of common stock	(848)	(13,014)	(428,549)	—	(441,563)	—	(441,563)
Cash dividends (\$1.45 per share) and dividend equivalents declared	—	—	(198,698)	—	(198,698)	—	(198,698)
Stock-based compensation expense	—	48,620	—	—	48,620	—	48,620
Balances as of December 31, 2023	135,260	\$ 2,154,509	\$ 921,466	\$ (32,264)	\$ 3,043,711	\$ —	\$ 3,043,711

(In thousands, except per share amounts)	Common Stock and Capital in Excess of Par Value		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total KLA Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balances as of June 30, 2022	141,804	\$ 1,061,940	\$ 366,882	\$ (27,471)	\$ 1,401,351	\$ (2,261)	\$ 1,399,090
Net income attributable to KLA	—	—	1,025,991	—	1,025,991	—	1,025,991
Net income attributable to non-controlling interest	—	—	—	—	—	74	74
Other comprehensive loss	—	—	—	(31,370)	(31,370)	—	(31,370)
Net issuance under employee stock plans	171	(54,950)	—	—	(54,950)	—	(54,950)
Repurchase of common stock	(257)	(1,926)	(87,690)	—	(89,616)	—	(89,616)
Cash dividends (\$1.30 per share) and dividend equivalents declared	—	—	(186,216)	—	(186,216)	—	(186,216)
Stock-based compensation expense	—	34,982	—	—	34,982	—	34,982
Purchase of non-controlling interest	—	1,902	—	—	1,902	(6,196)	(4,294)
Disposal of non-controlling interest	—	—	—	—	—	8,383	8,383
Balances as of September 30, 2022	141,718	1,041,948	1,118,967	(58,841)	2,102,074	—	2,102,074
Net income	—	—	978,795	—	978,795	—	978,795
Other comprehensive income	—	—	—	9,739	9,739	—	9,739
Net issuance under employee stock plans	170	31,196	—	—	31,196	—	31,196
Repurchase of common stock	(3,429)	870,811	(1,241,793)	—	(370,982)	—	(370,982)
Cash dividends (\$1.30 per share) and dividend equivalents declared	—	—	(185,967)	—	(185,967)	—	(185,967)
Stock-based compensation expense	—	38,405	—	—	38,405	—	38,405
Balances as of December 31, 2022	138,459	\$ 1,982,360	\$ 670,002	\$ (49,102)	\$ 2,603,260	\$ —	\$ 2,603,260

*See accompanying notes to Condensed Consolidated Financial Statements (unaudited).*

**KLA CORPORATION**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

<b>(In thousands)</b>	<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net income	\$ 1,323,909	\$ 2,004,860
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment of goodwill and purchased intangible assets	219,000	—
Depreciation and amortization	201,466	205,446
Loss on extinguishment of debt	—	13,286
Unrealized foreign exchange gain and other	(24,376)	(18,896)
Asset impairment charges	—	9,905
Disposal of non-controlling interest	—	8,270
Stock-based compensation expense	97,392	73,387
Gain on sale of business	—	(29,687)
Deferred income taxes	(136,480)	(255,116)
Changes in assets and liabilities, net of assets acquired and liabilities assumed in business acquisitions:		
Accounts receivable	(53,247)	(495,720)
Inventories	(159,608)	(393,177)
Other assets	(112,392)	30,546
Accounts payable	11,037	80,789
Deferred system revenue	232,307	34,587
Deferred service revenue	74,722	30,219
Other liabilities	(167,748)	401,136
Net cash provided by operating activities	<u>1,505,982</u>	<u>1,699,835</u>
Cash flows from investing activities:		
Proceeds from sale of assets	5,079	—
Net proceeds from sale of business	—	75,358
Business acquisitions, net of cash acquired	—	(27,144)
Capital expenditures	(144,846)	(177,994)
Purchases of available-for-sale securities	(982,642)	(558,165)
Proceeds from sale of available-for-sale securities	15,235	36,755
Proceeds from maturity of available-for-sale securities	628,277	353,391
Purchases of trading securities	(66,007)	(37,583)
Proceeds from sale of trading securities	64,757	39,482
Proceeds from other investments	—	1,020
Net cash used in investing activities	<u>(480,147)</u>	<u>(294,880)</u>
Cash flows from financing activities:		
Payment of debt issuance costs	—	(6,515)
Proceeds from revolving credit facility	—	300,000
Repayment of debt	—	(862,250)
Common stock repurchases	(893,229)	(444,853)
Payment of dividends to stockholders	(378,366)	(372,192)
Issuance of common stock	48,433	33,908
Tax withholding payments related to vested and released restricted stock units	(71,242)	(57,550)
Contingent consideration payable and other, net	(1,676)	(2,500)
Purchase of non-controlling interest	—	(4,295)
Net cash used in financing activities	<u>(1,296,080)</u>	<u>(1,416,247)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>7,434</u>	<u>(2,139)</u>
Net decrease in cash and cash equivalents	(262,811)	(13,431)
Cash and cash equivalents at beginning of period	1,927,865	1,584,908
Cash and cash equivalents at end of period	<u>\$ 1,665,054</u>	<u>\$ 1,571,477</u>
Supplemental cash flow disclosures:		
Income taxes paid, net	\$ 605,434	\$ 394,464
Interest paid	\$ 138,054	\$ 73,851
Non-cash activities:		
Contingent consideration payable - financing activities	\$ (765)	\$ (1,774)
Dividends payable - financing activities	\$ 3,985	\$ 3,941
Unsettled common stock repurchase - financing activities	\$ 10,999	\$ 15,975
Accrued purchases of land, property and equipment - investing activities	\$ 18,312	\$ 30,590

*See accompanying notes to Condensed Consolidated Financial Statements (unaudited).*

**KLA CORPORATION**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**NOTE 1 – BASIS OF PRESENTATION**

**Basis of Presentation.** For purposes of this report, “KLA,” the “Company,” “we,” “our,” “us” or similar references mean KLA Corporation and its majority-owned subsidiaries unless the context requires otherwise. The Condensed Consolidated Financial Statements have been prepared by us pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations.

The unaudited interim Condensed Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for audited financial statements. The balance sheet as of June 30, 2023 was derived from the Company’s audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, but does not include all disclosures required by GAAP for audited financial statements. The unaudited interim Condensed Consolidated Financial Statements reflect all adjustments (consisting only of normal, recurring adjustments) necessary for a fair statement of the financial position, results of operations, comprehensive income, stockholders’ equity and cash flows for the periods indicated. These Condensed Consolidated Financial Statements and notes, however, should be read in conjunction with Item 8 “Financial Statements and Supplementary Data” included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

The Condensed Consolidated Financial Statements include the accounts of KLA and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The results of operations for the three and six months ended December 31, 2023 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year ending June 30, 2024.

**Management Estimates.** The preparation of the Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions in applying our accounting policies that affect the reported amounts of assets and liabilities (and related disclosure of contingent assets and liabilities) at the dates of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Significant Accounting Policies.** There have been no material changes to our significant accounting policies summarized in Note 1 “Description of Business and Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

**Recent Accounting Pronouncements**

***Recently Adopted***

In October 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The new guidance requires companies to apply revenue guidance to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination at carrying value. Under the prior business combination guidance, such assets and liabilities were recognized by the acquirer at fair value on the acquisition date. We adopted this update beginning in the first quarter of our fiscal year ending June 30, 2024 on a prospective basis. The impact of adopting this update will depend on the magnitude of contract assets and contract liabilities acquired in future acquisitions.

***Updates Not Yet Effective***

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*. The new guidance requires enhanced disclosures about significant segment expenses. This standard update is effective for our annual reports beginning in the fiscal year ending June 30, 2025 and interim period reports beginning in the first quarter of the fiscal year ending June 30, 2026. Early adoption is permitted on a retrospective basis. We are currently evaluating the impact of this ASU on our segment disclosures.



In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*. The new guidance requires enhanced disclosures about income tax expenses. This standard update is effective for our annual reports beginning in the fiscal year ending June 30, 2026. Early adoption is permitted on a prospective basis. We are currently evaluating the impact of this ASU on our annual income tax disclosures.

## NOTE 2 – REVENUE

### Contract Balances

The following table represents the opening and closing balances of accounts receivable, net, contract assets and contract liabilities as of the indicated dates.

<u>(Dollar amounts in thousands)</u>	As of		\$ Change	% Change
	December 31, 2023	June 30, 2023		
Accounts receivable, net	\$ 1,843,878	\$ 1,753,361	\$ 90,517	5 %
Contract assets	\$ 100,944	\$ 117,137	\$ (16,193)	(14) %
Contract liabilities	\$ 1,552,038	\$ 1,245,007	\$ 307,031	25 %

Our payment terms and conditions vary by contract type, although the terms generally include a requirement of payment of 70% to 90% of total contract consideration within 30 to 60 days of product shipment, with the remainder payable within 30 days of acceptance.

The change in contract assets during the six months ended December 31, 2023 was mainly due to \$5.6 million of contract assets reclassified to accounts receivable, net, as our right to consideration for these contract assets became unconditional, partially offset by \$69.5 million of revenue recognized for which the payment is subject to conditions other than passage of time. Contract assets are included in other current assets on our Condensed Consolidated Balance Sheets.

The change in contract liabilities during the six months ended December 31, 2023 was mainly due to an increase in the value of products and services billed to customers for which control of the products and services has not transferred to the customers, partially offset by recognition in revenue of \$771.2 million that was included in contract liabilities as of June 30, 2023. Contract liabilities are included in current and non-current liabilities on our Condensed Consolidated Balance Sheets.

### Remaining Performance Obligations

As of December 31, 2023, we had \$10.65 billion of remaining performance obligations, which represents our obligation to deliver products and services, and primarily consists of sales orders where written customer requests have been received. This amount includes customer deposits of \$781.3 million as disclosed in Note 4 “Financial Statement Components” and excludes contract liabilities of \$1.55 billion as described above. We expect to recognize approximately 45% to 50% of these performance obligations as revenue beyond the next 12 months, but this estimate is subject to constant change. The supply chain disruptions caused by the pandemic as well as elevated demand levels in recent years have led to customers agreeing to purchase equipment from us with lead times that are longer than our historical experience. More recently, we have seen the macro-driven slowdown has impacted general semiconductor demand, causing the semiconductor industry to rebalance its supply chain and reduce inventory levels. In response to this slowdown, some of our customers have been adjusting their capacity expansion-focused capital expenditure plans. As customers try to balance the evolution of their technological, production or market needs with the timing and content of orders placed with us, there is elevated risk of order modifications, pushouts, or cancellations.

In addition, in October 2022, the U.S. government issued regulations that imposed new export licensing requirements for certain U.S. semiconductor and high-performance computing technology (including wafer fab equipment), for the use of such technology for certain end uses in the People's Republic of China ("China"), and for the provision of support by U.S. Persons to certain advanced integrated circuit ("IC") fabs located in China. The regulations impose export license requirements effectively on all KLA products and services to customers located in China that fabricate certain advanced logic, NAND and DRAM ICs. KLA is also restricted from providing certain U.S. origin tools, software and technology to certain wafer fab equipment manufacturers located in China, absent an export license. In October 2023, the U.S. government issued additional regulations that went into effect in November 2023. These additional rules are designed to update export controls on advanced computing semiconductors and semiconductor manufacturing equipment, as well as items that support supercomputing applications and end-uses, to arms embargoed countries, including China. They adjust the parameters included in the existing regulations that determine whether an advanced computing chip is restricted and impose new measures to address risks of circumvention of the controls established in October 2022. The regulations are very complex and, in January 2024, KLA, among other companies, submitted comments to the government regarding these regulations. We are taking appropriate measures to comply with all government regulations, and will continue to apply for export licenses, when required, to avoid disruption to our customers' operations. While some export licenses have been obtained by us or our customers, there can be no assurance that export licenses applied for by either us or our customers, now or in the future, will be granted.

Refer to Note 18 "Segment Reporting and Geographic Information" to our Condensed Consolidated Financial Statements for information related to revenues by geographic region as well as significant product and service offerings.

### NOTE 3 – FAIR VALUE MEASUREMENTS

Our financial assets and liabilities are measured and recorded at fair value, except for our debt and certain equity investments in privately held companies. Equity investments without a readily available fair value are accounted for using the measurement alternative. The measurement alternative is calculated as cost minus impairment, if any, plus or minus changes resulting from observable price changes. See Note 8 "Debt" to our Condensed Consolidated Financial Statements for disclosure of the fair value of our Senior Notes, as defined in that Note.

Our non-financial assets, such as goodwill, intangible assets, and land, property and equipment, are assessed for impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred.

**Fair Value of Financial Instruments.** We have evaluated the estimated fair value of financial instruments using available market information and valuations as provided by third-party sources. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts. The fair value of our cash equivalents, accounts receivable, accounts payable and other current assets and liabilities approximate their carrying amounts due to the relatively short maturity of these items.

**Fair Value Hierarchy.** The authoritative guidance for fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1	Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
Level 2	Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
Level 3	Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the six months ended December 31, 2023.

The types of instruments valued based on quoted market prices in active markets include money market funds, certain U.S. Treasury securities, U.S. Government agency securities and equity securities. Such instruments are generally classified within Level 1 of the fair value hierarchy.

The types of instruments valued based on other observable inputs include corporate debt securities, municipal securities and certain U.S. Treasury securities. The market inputs used to value these instruments generally consist of market yields, reported trades and broker/dealer quotes. Such instruments are generally classified within Level 2 of the fair value hierarchy.

The principal market in which we execute our foreign currency contracts is the institutional market in an over-the-counter environment with a relatively high level of price transparency. The market participants generally are large financial institutions. Our foreign currency contracts' valuation inputs are based on quoted prices and quoted pricing intervals from public data sources and do not involve management judgment. These contracts are typically classified within Level 2 of the fair value hierarchy.

The fair values of contingent consideration payable, the majority of which were recorded in connection with business combinations, were classified as Level 3 and estimated using significant inputs that were not observable in the market. See Note 6 "Business Combinations and Dispositions" to our Condensed Consolidated Financial Statements for additional information.

Financial assets (excluding cash held in operating accounts and time deposits) and liabilities measured at fair value on a recurring basis, as of the dates indicated below, were presented on our Condensed Consolidated Balance Sheets as follows:

<b>As of December 31, 2023 (In thousands)</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Little or No Market Activity Inputs (Level 3)</b>
<b>Assets</b>				
<b>Cash equivalents:</b>				
Money market funds and other	\$ 959,851	\$ 959,851	\$ —	\$ —
U.S. Treasury securities	42,001	—	42,001	—
<b>Marketable securities:</b>				
Corporate debt securities	743,650	—	743,650	—
Municipal securities	38,582	—	38,582	—
U.S. Government agency securities	110,261	110,261	—	—
U.S. Treasury securities	546,370	432,791	113,579	—
Equity securities	15,017	15,017	—	—
Total cash equivalents and marketable securities <sup>(1)</sup>	<u>2,455,732</u>	<u>1,517,920</u>	<u>937,812</u>	<u>—</u>
<b>Other current assets:</b>				
Derivative assets	38,937	—	38,937	—
<b>Other non-current assets:</b>				
Executive Deferred Savings Plan	272,709	245,683	27,026	—
<b>Total financial assets<sup>(1)</sup></b>	<u>\$ 2,767,378</u>	<u>\$ 1,763,603</u>	<u>\$ 1,003,775</u>	<u>\$ —</u>
<b>Liabilities</b>				
Derivative liabilities	\$ (21,923)	\$ —	\$ (21,923)	\$ —
Contingent consideration payable	(2,507)	—	—	(2,507)
<b>Total financial liabilities</b>	<u>\$ (24,430)</u>	<u>\$ —</u>	<u>\$ (21,923)</u>	<u>\$ (2,507)</u>

(1) Excludes cash of \$430.1 million held in operating accounts and time deposits of \$457.2 million (of which \$233.1 million were cash equivalents) as of December 31, 2023.

<u>As of June 30, 2023 (In thousands)</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Little or No Market Activity Inputs (Level 3)</u>
<b>Assets</b>				
<i>Cash equivalents:</i>				
Money market funds and other	\$ 1,257,223	\$ 1,257,223	\$ —	\$ —
U.S. Government agency securities	3,788	—	3,788	—
U.S. Treasury securities	11,500	—	11,500	—
<i>Marketable securities:</i>				
Corporate debt securities	502,650	—	502,650	—
Municipal securities	31,788	—	31,788	—
U.S. Government agency securities	129,784	127,715	2,069	—
U.S. Treasury securities	518,215	425,234	92,981	—
Equity securities	18,159	18,159	—	—
Total cash equivalents and marketable securities <sup>(1)</sup>	2,473,107	1,828,331	644,776	—
<i>Other current assets:</i>				
Derivative assets	35,712	—	35,712	—
<i>Other non-current assets:</i>				
Executive Deferred Savings Plan	256,846	198,639	58,207	—
<b>Total financial assets<sup>(1)</sup></b>	<b>\$ 2,765,665</b>	<b>\$ 2,026,970</b>	<b>\$ 738,695</b>	<b>\$ —</b>
<b>Liabilities</b>				
Derivative liabilities	\$ (12,106)	\$ —	\$ (12,106)	\$ —
Contingent consideration payable	(6,447)	—	—	(6,447)
<b>Total financial liabilities</b>	<b>\$ (18,553)</b>	<b>\$ —</b>	<b>\$ (12,106)</b>	<b>\$ (6,447)</b>

(1) Excludes cash of \$298.6 million held in operating accounts and time deposits of \$471.4 million (of which \$356.7 million were cash equivalents) as of June 30, 2023.

**NOTE 4 – FINANCIAL STATEMENT COMPONENTS**  
**Condensed Consolidated Balance Sheets**

<b>(In thousands)</b>	<b>As of December 31, 2023</b>	<b>As of June 30, 2023</b>
<b>Accounts receivable, net:</b>		
Accounts receivable, gross	\$ 1,879,295	\$ 1,786,993
Allowance for credit losses	(35,417)	(33,632)
	<u>\$ 1,843,878</u>	<u>\$ 1,753,361</u>
<b>Inventories:</b>		
Customer service parts	\$ 586,232	\$ 524,096
Raw materials	1,560,293	1,559,202
Work-in-process	621,406	578,864
Finished goods	270,697	214,622
	<u>\$ 3,038,628</u>	<u>\$ 2,876,784</u>
<b>Other current assets:</b>		
Deferred costs of revenues	\$ 166,385	\$ 133,067
Prepaid expenses	125,638	121,204
Contract assets	100,944	117,137
Prepaid income and other taxes	53,269	64,901
Other current assets	76,985	62,419
	<u>\$ 523,221</u>	<u>\$ 498,728</u>
<b>Land, property and equipment, net:</b>		
Land	\$ 78,261	\$ 72,287
Buildings and leasehold improvements	872,520	825,975
Machinery and equipment	1,076,052	1,016,713
Office furniture and fixtures	61,092	58,036
Construction-in-process	201,446	168,817
	<u>2,289,371</u>	<u>2,141,828</u>
Less: accumulated depreciation	(1,200,547)	(1,109,987)
	<u>\$ 1,088,824</u>	<u>\$ 1,031,841</u>
<b>Other non-current assets:</b>		
Executive Deferred Savings Plan <sup>(1)</sup>	\$ 272,709	\$ 256,846
Operating lease right of use assets	235,101	208,706
Other non-current assets	160,546	171,910
	<u>\$ 668,356</u>	<u>\$ 637,462</u>
<b>Other current liabilities:</b>		
Customer deposits	\$ 607,998	\$ 769,000
Compensation and benefits	517,076	370,536
Other liabilities and accrued expenses	402,906	383,407
Executive Deferred Savings Plan <sup>(1)</sup>	273,937	258,223
Income taxes payable	164,101	383,012
Interest payable	112,757	105,270
Operating lease liabilities	35,439	34,042
	<u>\$ 2,114,214</u>	<u>\$ 2,303,490</u>
<b>Other non-current liabilities:</b>		
Income taxes payable	\$ 274,747	\$ 322,113
Customer deposits	173,279	156,874
Operating lease liabilities	156,040	138,354
Pension liabilities	62,124	63,672
Other non-current liabilities	140,983	132,045
	<u>\$ 807,173</u>	<u>\$ 813,058</u>

- (1) We have a non-qualified deferred compensation plan (known as the “Executive Deferred Savings Plan” or “EDSP”) under which certain employees and non-employee directors may defer a portion of their compensation. The expense associated with changes in the EDSP liability included in selling, general and administrative (“SG&A”) expense was \$25.8 million and \$11.9 million in the three months ended December 31, 2023 and 2022, respectively, and was \$16.5 million and \$1.6 million during the six months ended December 31, 2023 and 2022, respectively. The amount of net gains associated with changes in the EDSP assets included in SG&A expense was \$25.7 million and \$11.9 million in the three months ended December 31, 2023 and 2022, respectively, and was \$16.2 million and \$1.6 million during the six months ended December 31, 2023 and 2022, respectively. For additional details, refer to Note 1 “Description of Business and Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

**Accumulated Other Comprehensive Income (Loss)**

The components of Accumulated Other Comprehensive Income (Loss) (“AOCI”) as of the dates indicated below were as follows:

<u>(In thousands)</u>	<u>Currency Translation Adjustments</u>	<u>Unrealized Gains (Losses) on Available-for-Sale Securities</u>	<u>Unrealized Gains (Losses) on Derivatives</u>	<u>Unrealized Gains (Losses) on Defined Benefit Plans</u>	<u>Total</u>
Balance as of December 31, 2023	\$ (68,826)	\$ (163)	\$ 55,739	\$ (19,014)	\$ (32,264)
Balance as of June 30, 2023	\$ (64,627)	\$ (12,797)	\$ 59,944	\$ (18,861)	\$ (36,341)

The effects on net income of amounts reclassified from AOCI to the Condensed Consolidated Statements of Operations for the indicated periods were as follows (in thousands; amounts in parentheses indicate debits or reductions to earnings):

<u>AOCI Components</u>	<u>Location in the Condensed Consolidated Statement of Operations</u>	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Unrealized gains on cash flow hedges from foreign exchange and interest rate contracts	Revenues	\$ 8,036	\$ 15,928	\$ 11,432	\$ 30,533
	Costs of revenues and operating expenses	(20)	(3,904)	2,755	(9,271)
	Interest expense	937	937	1,874	1,874
	Net gains reclassified from AOCI	\$ 8,953	\$ 12,961	\$ 16,061	\$ 23,136
Unrealized losses on available-for-sale securities	Other expense (income), net	\$ (61)	\$ (407)	\$ (73)	\$ (581)

The amount reclassified out of AOCI related to our defined benefit pension plans that was recognized as a component of net periodic cost for the three months ended December 31, 2023 and 2022 was \$0.3 million and \$0.4 million, respectively, and for the six months ended December 31, 2023 and 2022 was \$0.5 million and \$0.8 million, respectively. For additional details, refer to Note 13 “Employee Benefit Plans” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

**NOTE 5 – MARKETABLE SECURITIES**

The amortized cost and fair value of marketable securities as of the dates indicated below were as follows:

<b>As of December 31, 2023 (In thousands)</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Corporate debt securities	\$ 742,409	\$ 3,233	\$ (1,992)	\$ 743,650
Money market funds and other	959,851	—	—	959,851
Municipal securities	38,669	156	(243)	38,582
U.S. Government agency securities	109,973	371	(83)	110,261
U.S. Treasury securities	590,021	1,441	(3,091)	588,371
Equity securities <sup>(1)</sup>	3,211	11,806	—	15,017
Subtotal	2,444,134	17,007	(5,409)	2,455,732
Add: Time deposits <sup>(2)</sup>	457,188	—	—	457,188
Less: Cash equivalents	1,234,975	5	—	1,234,980
Marketable securities	\$ 1,666,347	\$ 17,002	\$ (5,409)	\$ 1,677,940

<b>As of June 30, 2023 (In thousands)</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Corporate debt securities	\$ 508,511	\$ 52	\$ (5,913)	\$ 502,650
Money market funds and other	1,257,223	—	—	1,257,223
Municipal securities	32,525	—	(737)	31,788
U.S. Government agency securities	134,486	4	(918)	133,572
U.S. Treasury securities	538,487	10	(8,782)	529,715
Equity securities <sup>(1)</sup>	3,211	14,948	—	18,159
Subtotal	2,474,443	15,014	(16,350)	2,473,107
Add: Time deposits <sup>(2)</sup>	471,439	—	—	471,439
Less: Cash equivalents	1,629,248	4	—	1,629,252
Marketable securities	\$ 1,316,634	\$ 15,010	\$ (16,350)	\$ 1,315,294

(1) Unrealized gains on equity securities included in our portfolio include the initial fair value adjustment recorded upon a security becoming marketable.

(2) Time deposits excluded from fair value measurements.

Our investment portfolio includes both corporate and government securities that have a maximum maturity of three years. The longer the duration of these securities, the more susceptible they are to changes in market interest rates and bond yields. As yields increase, those securities with a lower yield-at-cost show a mark-to-market unrealized loss. Most of our unrealized losses are due to changes in market interest rates and bond yields. We believe that we have the ability to realize the full value of all these investments upon maturity. As of December 31, 2023, we had 306 investments in a gross unrealized loss position. The following table summarizes the fair value and gross unrealized losses of our investments that were in an unrealized loss position as of the dates indicated below.

<b>As of December 31, 2023</b>	<b>Less than 12 Months</b>		<b>12 Months or Greater</b>		<b>Total</b>	
	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>
<b>(In thousands)</b>						
Corporate debt securities	\$ 190,129	\$ (371)	\$ 139,118	\$ (1,621)	\$ 329,247	\$ (1,992)
Municipal securities	6,173	(29)	13,192	(214)	19,365	(243)
U.S. Government agency securities	42,904	(74)	2,770	(9)	45,674	(83)
U.S. Treasury securities	81,838	(459)	164,874	(2,632)	246,712	(3,091)
Total	\$ 321,044	\$ (933)	\$ 319,954	\$ (4,476)	\$ 640,998	\$ (5,409)

As of June 30, 2023	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>(In thousands)</b>						
Corporate debt securities	\$ 310,613	\$ (2,242)	\$ 161,263	\$ (3,671)	\$ 471,876	\$ (5,913)
Municipal securities	9,011	(199)	17,253	(538)	26,264	(737)
U.S. Government agency securities	80,793	(459)	36,406	(459)	117,199	(918)
U.S. Treasury securities	288,376	(4,117)	183,475	(4,665)	471,851	(8,782)
<b>Total</b>	<b>\$ 688,793</b>	<b>\$ (7,017)</b>	<b>\$ 398,397</b>	<b>\$ (9,333)</b>	<b>\$ 1,087,190</b>	<b>\$ (16,350)</b>

The contractual maturities of securities classified as available-for-sale, regardless of their classification on our Condensed Consolidated Balance Sheets, as of the date indicated below were as follows:

As of December 31, 2023 (In thousands)	Amortized Cost	Fair Value
Due within one year	\$ 833,891	\$ 843,309
Due after one year through three years	832,456	834,631
<b>Total</b>	<b>\$ 1,666,347</b>	<b>\$ 1,677,940</b>

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Realized gains and losses on available-for-sale securities for the three and six months ended December 31, 2023 and 2022 were immaterial.

## NOTE 6 - BUSINESS COMBINATIONS AND DISPOSITIONS

### Business Combinations

On August 9, 2022, we acquired a privately held company, primarily to secure the supply of materials for existing products, for aggregate purchase consideration of \$2.7 million, payable in cash. We allocated the purchase consideration as follows: \$30.0 million to identifiable intangible assets, \$2.3 million to net tangible assets, \$6.5 million to deferred tax liabilities and \$6.8 million to goodwill. The goodwill was assigned to the Wafer Inspection and Patterning reporting unit.

We have included the financial results of the acquisition in our Condensed Consolidated Financial Statements from the acquisition date, and these results were not material to our Condensed Consolidated Financial Statements. The goodwill recorded as a result of the above acquisition was not deductible for tax purposes.

As of December 31, 2023, we had \$2.5 million of contingent consideration recorded for an acquisition completed during our fiscal year ended June 30, 2019, which is classified as a current liability on the Condensed Consolidated Balance Sheet.

### Business Dispositions

As of June 30, 2022, we owned approximately 94% of the outstanding equity interest in Orbograph Ltd. ("Orbograph"), a non-core business engaged in the development and marketing of character recognition solutions to banks, financial and other payment processing institutions and healthcare providers. On August 9, 2022, we acquired the non-controlling interest in Orbograph. On August 11, 2022, we sold our entire interest in Orbograph to a portfolio company of a private equity firm for total consideration of \$110.0 million and net cash proceeds from the transaction of \$75.4 million. We recognized a pre-tax gain from the sale of \$29.7 million, which was recorded as part of other expense (income), net. Included in the sale were \$26.5 million in tangible assets, \$30.5 million in liabilities and \$61.2 million in goodwill and intangible assets.

For additional details of business combinations, refer to Note 6 "Business Combinations and Dispositions" to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

## NOTE 7 - GOODWILL AND PURCHASED INTANGIBLE ASSETS

### Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in business combinations. Goodwill is not subject to amortization but is tested for impairment annually during the third fiscal quarter, as well as whenever events or changes in circumstances indicate that the carrying value may not be recoverable.



During the second quarter of fiscal 2024, we noted a significant deterioration of the long-term forecast for our Printed Circuit Board (“PCB”) and Display businesses which are a part of our PCB and Display operating segment, as the company initiated its annual strategic planning process. The downward revision of financial outlook for the PCB and Display businesses triggered a goodwill impairment test. In addition, in the second quarter of fiscal 2024, we began to evaluate strategic options for our Display business. Our PCB and Display operating segment is now comprised of two reporting units, 1) PCB and 2) Display, while, prior to the change, the PCB and Display operating segment represented a single reporting unit.

The following table presents changes in goodwill carrying value by reporting unit during the six months ended December 31, 2023:

<b>(In thousands)</b>	<b>Wafer Inspection and Patterning</b>	<b>Global Service and Support ("GSS")</b>	<b>Specialty Semiconductor Process</b>	<b>PCB and Display</b>	<b>PCB</b>	<b>Display</b>	<b>Component Inspection</b>	<b>Total</b>
<b>Balances as of June 30, 2023</b>								
Goodwill	1,004,700	25,908	826,037	942,819	—	—	13,575	2,813,039
Accumulated impairment losses	(277,570)	—	(144,179)	(112,470)	—	—	—	(534,219)
	<u>\$ 727,130</u>	<u>\$ 25,908</u>	<u>\$ 681,858</u>	<u>\$ 830,349</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,575</u>	<u>\$ 2,278,820</u>
<b>Activity for the six months ended December 31, 2023</b>								
Goodwill impairment	—	—	—	(192,600)	—	—	—	(192,600)
Reallocation due to change in reporting units	—	—	—	(637,749)	567,275	70,474	—	—
Foreign currency adjustments	(16)	—	—	—	—	—	—	(16)
<b>Balances as of December 31, 2023</b>								
Goodwill	1,004,684	25,908	826,037	305,070	567,275	70,474	13,575	\$ 2,813,023
Accumulated impairment losses	(277,570)	—	(144,179)	(305,070)	—	—	—	(726,819)
	<u>\$ 727,114</u>	<u>\$ 25,908</u>	<u>\$ 681,858</u>	<u>\$ —</u>	<u>\$ 567,275</u>	<u>\$ 70,474</u>	<u>\$ 13,575</u>	<u>\$ 2,086,204</u>

As a result of our quantitative assessment, we recorded a total goodwill impairment charge of \$192.6 million for the PCB and Display reporting unit in the three months ended December 31, 2023. The goodwill balances of the new PCB and Display reporting units were determined based on their relative fair values. We assessed for impairment subsequent to the reporting unit change and noted no impairment.

To determine the fair value of a reporting unit, we utilized income and market approaches and applied a weighting of 75 percent and 25 percent, respectively. The income approach is estimated through discounted cash flow analysis. The estimated fair value of this reporting unit was computed by adding the present value of the estimated annual discounted cash flows over a discrete projection period to the residual value of the business at the end of the projection period. This valuation technique requires us to use significant estimates and assumptions, including long-term growth rates, discount rates and other inputs. The estimated growth rates for the projection period are based on our internal forecasts of anticipated future performance of the business. The residual value is estimated based on a perpetual nominal growth rate, which is based on projected long-range inflation and long-term industry projections. The discount rates are based on the weighted average cost of capital of comparable peer companies. The market approach estimates the fair value of the reporting unit by utilizing the market comparable method, which is based on revenue and earnings multiples from comparable companies. There can be no assurance that these estimates and assumptions will prove to be an accurate prediction of the future, and a downward revision of these estimates and/or assumptions would decrease the fair value of our reporting units, which could result in additional impairment charges in the future.

## Purchased Intangible Assets

The components of purchased intangible assets as of the dates indicated below were as follows:

(In thousands)	Range of Useful Lives (in years)	As of December 31, 2023			As of June 30, 2023		
		Gross Carrying Amount	Accumulated Amortization and Impairment	Net Amount	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Amount
Existing technology	4-8	\$ 1,552,074	\$ 954,790	\$ 597,284	\$ 1,536,826	\$ 841,815	\$ 695,011
Customer relationships	4-9	358,567	229,736	128,831	358,567	205,037	153,530
Trade name / Trademark	4-7	119,083	89,770	29,313	116,583	78,749	37,834
Order backlog and other	<1-7	83,336	82,639	697	85,836	82,264	3,572
Intangible assets subject to amortization		2,113,060	1,356,935	756,125	2,097,812	1,207,865	889,947
In-process research and development		46,074	15,966	30,108	61,322	15,966	45,356
Total		\$ 2,159,134	\$ 1,372,901	\$ 786,233	\$ 2,159,134	\$ 1,223,831	\$ 935,303

Purchased intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be fully recoverable. We identified an impairment indicator for the long-lived assets in our PCB and Display operating segment during the second quarter of fiscal 2024 due to the downward revision of financial outlook for the businesses as noted above.

In connection with the evaluation of the goodwill impairment in the PCB and Display reporting unit, the Company assessed tangible and intangible assets for impairment prior to performing the goodwill impairment test. The Company first performed a recoverability test for each asset group identified in the PCB and Display operating segment by comparing projected undiscounted cash flows from the use and eventual disposition of each asset group to its carrying value. This test indicated that the undiscounted cash flows were not sufficient to recover the carrying value of the asset groups. We then compared the carrying value of the individual long-lived assets within those asset groups against their fair value in order to measure the impairment loss. Determining the fair value involved the use of significant estimates and assumptions, including revenue forecasts, terminal growth rate, tax rate and a weighted average cost of capital adjusted for company-specific risk.

As a result, we recorded a total purchased intangible asset impairment charge of \$26.4 million for the three months ended December 31, 2023. No impairment was identified for other long-lived assets in the three months ended December 31, 2023.

Total impairment charges for goodwill and purchased intangible assets of \$219.0 million were recognized as a separate charge and included in income (loss) from operations.

Amortization expense for purchased intangible assets for the periods indicated below was as follows:

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Amortization expense - Costs of revenues	\$ 46,087	\$ 45,446	\$ 92,175	\$ 90,512
Amortization expense - SG&A	13,279	20,128	30,495	40,256
Amortization expense - Research and development	—	31	—	62
Total	\$ 59,366	\$ 65,605	\$ 122,670	\$ 130,830

Based on the purchased intangible assets gross carrying amount recorded as of December 31, 2023, the remaining estimated annual amortization expense is expected to be as follows:

Fiscal year ending June 30:	Amortization (In thousands)
2024 (remaining six months)	\$ 113,610
2025	214,968
2026	199,055
2027	130,794
2028	49,027
2029 and thereafter	48,671
Total	<u>\$ 756,125</u>

#### NOTE 8 – DEBT

The following table summarizes our debt as of December 31, 2023 and June 30, 2023:

	As of December 31, 2023		As of June 30, 2023	
	Amount (In thousands)	Effective Interest Rate	Amount (In thousands)	Effective Interest Rate
Fixed-rate 4.650% Senior Notes due on November 1, 2024	\$ 750,000	4.682 %	\$ 750,000	4.682 %
Fixed-rate 5.650% Senior Notes due on November 1, 2034	250,000	5.670 %	250,000	5.670 %
Fixed-rate 4.100% Senior Notes due on March 15, 2029	800,000	4.159 %	800,000	4.159 %
Fixed-rate 5.000% Senior Notes due on March 15, 2049	400,000	5.047 %	400,000	5.047 %
Fixed-rate 3.300% Senior Notes due on March 1, 2050	750,000	3.302 %	750,000	3.302 %
Fixed-rate 4.650% Senior Notes due on July 15, 2032	1,000,000	4.657 %	1,000,000	4.657 %
Fixed-rate 4.950% Senior Notes due on July 15, 2052	1,200,000	5.009 %	1,200,000	5.009 %
Fixed-rate 5.250% Senior Notes due on July 15, 2062	800,000	5.259 %	800,000	5.259 %
Total	<u>5,950,000</u>		<u>5,950,000</u>	
Unamortized discount/premium, net	(17,268)		(17,848)	
Unamortized debt issuance costs	(40,006)		(41,416)	
Total	<u>\$ 5,892,726</u>		<u>\$ 5,890,736</u>	
Reported as:				
Short-term debt	\$ 749,842		\$ —	
Long-term debt	5,142,884		5,890,736	
Total	<u>\$ 5,892,726</u>		<u>\$ 5,890,736</u>	

#### Senior Notes and Debt Redemption

In June 2022, we issued \$3.00 billion aggregate principal amount of senior, unsecured notes (the “2022 Senior Notes”) as follows: \$1.00 billion of 4.650% senior, unsecured notes due July 15, 2032; \$1.20 billion of 4.950% senior, unsecured notes due July 15, 2052; and \$800.0 million of 5.250% senior, unsecured notes due July 15, 2062. A portion of the net proceeds of the 2022 Senior Notes was used to complete a tender offer in July 2022 for \$500.0 million of our Senior Notes due November 1, 2024 including associated redemption premiums, accrued interest and other fees and expenses. The transaction resulted in a pre-tax net loss on extinguishment of debt of \$13.3 million for the three months ended September 30, 2022. The remainder of the net proceeds were used for share repurchases and for general corporate purposes.

Prior to June 2022, the following aggregate principal amounts of senior, unsecured long-term notes were issued in the following periods: \$750.0 million in February 2020 (the “2020 Senior Notes”), \$1.20 billion in March 2019 (the “2019 Senior Notes”) and \$2.50 billion in November 2014 (the “2014 Senior Notes”). These, along with the 2022 Senior Notes, are collectively referred to as the “Senior Notes.”

The original discounts on the Senior Notes are being amortized over the life of the debt. Interest is payable as follows: semi-annually on January 15 and July 15 of each year for the 2022 Senior Notes; semi-annually on March 1 and September 1 of each year for the 2020 Senior Notes; semi-annually on March 15 and September 15 of each year for the 2019 Senior Notes; and

semi-annually on May 1 and November 1 of each year for the 2014 Senior Notes. The relevant indentures for the Senior Notes (collectively, the “Indenture”) include covenants that limit our ability to grant liens on our facilities and enter into sale and leaseback transactions.

In certain circumstances involving a change of control followed by a downgrade of the rating of a series of Senior Notes by at least two of Moody’s Investors Service, S&P Global Ratings and Fitch Inc., unless we have exercised our rights to redeem the Senior Notes of such series, we will be required to make an offer to repurchase all or, at the holder’s option, any part, of each holder’s Senior Notes of that series pursuant to the offer described below (the “Change of Control Offer”). In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of Senior Notes repurchased plus accrued and unpaid interest, if any, on the Senior Notes repurchased, up to, but not including, the date of repurchase.

Based on the trading prices of the Senior Notes on the applicable dates, the fair value of the Senior Notes as of December 31, 2023 and June 30, 2023 was \$ .86 billion and \$5.69 billion, respectively. While the Senior Notes are recorded at cost, the fair value of the long-term debt was determined based on quoted prices in markets that are not active; accordingly, the long-term debt is categorized as Level 2 for purposes of the fair value measurement hierarchy.

As of December 31, 2023, we were in compliance with all of our covenants under the Indenture associated with the Senior Notes.

#### Revolving Credit Facility

As of December 31, 2023, we have in place a renegotiated Credit Agreement dated June 8, 2022 (“Credit Agreement”) for an unsecured Revolving Credit Facility (“Revolving Credit Facility”) having a maturity date of June 8, 2027 that allows us to borrow up to \$1.50 billion. Subject to the terms of the Credit Agreement, the Revolving Credit Facility may be increased by an amount up to \$250.0 million in the aggregate. As of December 31, 2023, we had no outstanding borrowings under the Revolving Credit Facility.

We may borrow, repay and reborrow funds under the Revolving Credit Facility until the maturity date, at which time we may exercise two one-year extension options with the consent of the lenders. We may prepay outstanding borrowings under the Revolving Credit Facility at any time without a prepayment penalty.

Borrowings under the Revolving Credit Facility can be made as Term Secured Overnight Financing Rate (“SOFR”) Loans or Alternate Base Rate (“ABR”) Loans, at the Company’s option. In the event that Term SOFR is unavailable, any Term SOFR elections will be converted to Daily Simple SOFR, if available. Each Term SOFR Loan will bear interest at a rate per annum equal to the applicable Adjusted Term SOFR rate, which is equal to the applicable Term SOFR rate plus 10 bps that shall not be less than zero, plus a spread ranging from 75 bps to 125 bps, as determined by the Company’s credit ratings at the time. Each ABR Loan will bear interest at a rate per annum equal to the ABR plus a spread ranging from 0 bps to 25 bps, as determined by the Company’s credit ratings at the time. We are also obligated to pay an annual commitment fee on the daily undrawn balance of the Revolving Credit Facility, which ranges from 4.5 bps to 12.5 bps, subject to an adjustment in conjunction with changes to our credit rating. The applicable interest rates and commitment fees are also subject to adjustment based on the Company’s performance against certain environmental sustainability key performance indicators (“KPI”) related to greenhouse gas emissions and renewable electricity usage. Our performance against these KPIs in calendar year 2022 resulted in reductions to the fees associated with our Revolving Credit Facility. As of December 31, 2023, we elected to pay interest on borrowings under the Revolving Credit Facility at the applicable Adjusted Term SOFR rate plus a spread of 85 bps and the applicable commitment fee on the daily undrawn balance of the Revolving Credit Facility was 6 bps.

Under the Credit Agreement, the maximum leverage ratio on a quarterly basis is 3.50 to 1.00, covering the trailing four consecutive fiscal quarters for each fiscal quarter, which may be increased to 4.00 to 1.00 for a period of time in connection with a material acquisition or a series of material acquisitions. As of December 31, 2023, our maximum allowed leverage ratio was 3.50 to 1.00.

We were in compliance with all covenants under the Credit Agreement as of December 31, 2023.

For additional details, refer to Note 8 “Debt” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

**NOTE 9 – LEASES**

We have operating leases for facilities, vehicles and other equipment. Our facility leases are primarily used for administrative functions, research and development (“R&D”), manufacturing, and storage and distribution. Our finance leases are not material.

Our existing leases do not contain significant restrictive provisions or residual value guarantees; however, certain leases contain provisions for the payment of maintenance, real estate taxes or insurance costs by us. Our leases have remaining lease terms ranging from less than one year to 29 years, including periods covered by options to extend the lease when it is reasonably certain that the option will be exercised.

Lease expense was \$12.9 million and \$25.2 million for the three and six months ended December 31, 2023, respectively and \$9.6 million and \$19.1 million for the three and six months ended December 31, 2022, respectively. Expenses related to short-term leases, which were not recorded on the Condensed Consolidated Balance Sheets, were not material for the three and six months ended December 31, 2023 and 2022. As of December 31, 2023 and June 30, 2023, the weighted-average remaining lease term was 6.8 and 6.7 years, respectively, and the weighted-average discount rate for operating leases was 3.98% and 3.36%, respectively.

Supplemental cash flow information related to leases was as follows:

<u>In thousands</u>	<u>Six Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating cash outflows from operating leases	\$ 20,504	\$ 19,363
Right of use assets obtained in exchange for new operating lease liabilities	\$ 38,513	\$ 18,760

Maturities of lease liabilities as of December 31, 2023 were as follows:

<u>Fiscal Year Ending June 30:</u>	<u>(In thousands)</u>
2024 (remaining six months)	\$ 20,308
2025	41,758
2026	34,409
2027	27,784
2028	19,492
2029 and thereafter	82,108
Total lease payments	225,859
Less imputed interest	(34,380)
Total	\$ 191,479

As of December 31, 2023, we did not have material leases that had not yet commenced.

**NOTE 10 – EQUITY, LONG-TERM INCENTIVE COMPENSATION PLANS AND NON-CONTROLLING INTEREST**

**Equity Incentive Program**

On August 3, 2023, our Board of Directors adopted the KLA Corporation 2023 Incentive Award Plan (the “2023 Plan”) which replaced our 2004 Equity Incentive Plan (the “2004 Plan”) for grants of equity awards occurring on or after November 1, 2023. The new plan was approved by our stockholders at the annual meeting of stockholders held on November 1, 2023. As of December 31, 2023, 10.6 million shares remained available for issuance under our 2023 Plan. For details of the 2004 Plan refer to Note 10 “Equity, Long-Term Incentive Compensation Plans and Non-Controlling Interest” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

### Equity Incentive Plans - General Information

The following table summarizes the combined activity under our equity incentive plans:

<u>(In thousands)</u>	<u>Available For Grant<sup>(1)</sup></u>
Balance as of June 30, 2023	7,761
Plan shares increased	3,250
Restricted stock units granted <sup>(2)</sup>	(412)
Restricted stock units canceled	36
Balance as of December 31, 2023	<u>10,635</u>

- (1) The number of restricted stock units (“RSU”) reflects the application of the award multiplier of 2.0x to calculate the impact of the award on the shares reserved under the 2023 Plan.
- (2) Includes RSUs granted to senior management during the six months ended December 31, 2023 with performance-based vesting criteria (in addition to service-based vesting criteria for any of such RSUs that are deemed to have been earned) (“performance-based RSU”). This line item includes all such performance-based RSUs granted during the six months ended December 31, 2023 reported at the maximum possible number of shares that may ultimately be issuable if all applicable performance-based criteria are achieved at their maximum levels and all applicable service-based criteria are fully satisfied (0.2 million shares for the six months ended December 31, 2023 reflects the application of the multiplier described above).

The fair value of stock-based awards is measured at the grant date and is recognized as an expense over the employee’s requisite service period. The fair value for RSUs granted with “dividend equivalent” rights is determined using the closing price of our common stock on the grant date.

The following table shows stock-based compensation expense for the indicated periods:

<u>(In thousands)</u>	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Stock-based compensation expense by:				
Costs of revenues	\$ 8,082	\$ 6,004	\$ 15,751	\$ 11,593
R&D	12,753	8,792	25,781	17,148
SG&A	27,785	23,609	55,860	44,646
Total stock-based compensation expense	<u>\$ 48,620</u>	<u>\$ 38,405</u>	<u>\$ 97,392</u>	<u>\$ 73,387</u>

Stock-based compensation capitalized as inventory as of December 31, 2023 and June 30, 2023 was \$20.9 million and \$16.7 million, respectively.

### Restricted Stock Units

The following table shows the activity and weighted-average grant date fair values for RSUs during the six months ended December 31, 2023:

	<u>Shares<sup>(1)</sup> (In thousands)</u>	<u>Weighted-Average Grant Date Fair Value</u>
Outstanding RSUs as of June 30, 2023 <sup>(2)</sup>	1,715	\$ 312.40
Granted <sup>(3)</sup>	206	\$ 499.58
Vested and released	(340)	\$ 218.31
Forfeited	(18)	\$ 353.05
Outstanding RSUs as of December 31, 2023 <sup>(2)</sup>	<u>1,563</u>	<u>\$ 356.98</u>

- (1) Share numbers reflect actual shares subject to awarded RSUs.
- (2) Includes performance-based RSUs.

- (3) This line item includes performance-based RSUs granted during the six months ended December 31, 2023 reported at the maximum possible number of shares that may ultimately be issuable if all applicable performance-based criteria are achieved at their maximum levels and all applicable service-based criteria are fully satisfied (0.1 million shares for the six months ended December 31, 2023).

The RSUs granted by us generally vest as follows: (i) with respect to awards with only service-based vesting criteria, over periods ranging from two to four years; (ii) with respect to awards with both performance-based and service-based vesting criteria, over periods ranging from three to four years; and (iii) with respect to awards with both market-based and service-based vesting criteria, in three equal installments on the third, fourth and fifth anniversaries of the grant date, in each case subject to the recipient remaining employed by us as of the applicable vesting date. The RSUs granted to the independent members of the Board of Directors vest annually.

The following table shows the weighted-average grant date fair value per unit for the RSUs granted, aggregate grant date fair value of RSUs vested and tax benefits realized by us in connection with vested and released RSUs for the indicated periods:

<u>(In thousands, except for weighted-average grant date fair value)</u>	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Weighted-average grant date fair value per unit	\$ 476.53	\$ 312.42	\$ 499.58	\$ 389.71
Grant date fair value of vested RSUs	\$ 8,529	\$ 8,029	\$ 74,053	\$ 57,935
Tax benefits realized by us in connection with vested and released RSUs	\$ 2,669	\$ 2,308	\$ 18,723	\$ 12,851

As of December 31, 2023, the unrecognized stock-based compensation expense balance related to RSUs was \$79.8 million, excluding the impact of estimated forfeitures, and will be recognized over a weighted-average remaining contractual term and an estimated weighted-average amortization period of 1.5 years. The intrinsic value of outstanding RSUs as of December 31, 2023 was \$908.5 million.

#### **Cash-Based Long-Term Incentive Compensation**

We have adopted a cash-based long-term incentive (“Cash LTI”) program (“Cash LTI Plan”) for many of our employees as part of our employee compensation program. Executives and non-employee members of the Board of Directors do not participate in the Cash LTI Plan. During both the six months ended December 31, 2023 and 2022, we approved Cash LTI awards of \$0.1 million. Cash LTI awards issued to employees under the Cash LTI Plan will vest in three or four equal installments, with one-third or one-fourth of the aggregate amount of the Cash LTI award vesting on each anniversary of the grant date over a three- or four-year period. In order to receive payments under a Cash LTI award, participants must remain employed by us as of the applicable award vesting date. During the three months ended December 31, 2023 and 2022, we recognized \$18.2 million and \$19.4 million, respectively, in compensation expense under the Cash LTI Plan. During the six months ended December 31, 2023 and 2022, we recognized \$6.7 million and \$38.9 million, respectively, in compensation expense under the Cash LTI Plan. As of December 31, 2023, the unrecognized compensation balance (excluding the impact of estimated forfeitures) related to the Cash LTI Plan was \$114.7 million. For details, refer to Note 10 “Equity, Long-Term Incentive Compensation Plans and Non-Controlling Interest” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

#### **Employee Stock Purchase Plan**

Our Employee Stock Purchase Plan (“ESPP”) provides that eligible employees may contribute up to 15% of their eligible earnings toward the semi-annual purchase of our common stock. The ESPP is qualified under Section 423 of the Internal Revenue Code. The employee’s purchase price is derived from a formula based on the closing price of the common stock on the first day of the offering period versus the closing price on the date of purchase (or, if not a trading day, on the immediately preceding trading day).

The offering period (or length of the look-back period) under the ESPP has a duration of six months, and the purchase price with respect to each offering period, until otherwise amended, is equal to 85% of the lesser of (i) the fair market value of our common stock at the commencement of the applicable six months offering period or (ii) the fair market value of our common stock on the purchase date. We estimate the fair value of purchase rights under the ESPP using a Black-Scholes model.

The fair value of each purchase right under the ESPP was estimated on the date of grant using the Black-Scholes model and the straight-line attribution approach with the following weighted-average assumptions:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Stock purchase plan:				
Expected stock price volatility	32.8 %	41.6 %	32.8 %	41.6 %
Risk-free interest rate	5.1 %	1.1 %	5.1 %	1.1 %
Dividend yield	1.1 %	1.8 %	1.1 %	1.8 %
Expected life (in years)	0.5	0.5	0.5	0.5

The following table shows total cash received from employees for the issuance of shares under the ESPP, the number of shares purchased by employees through the ESPP, the tax benefits realized by us in connection with the disqualifying dispositions of shares purchased under the ESPP and the weighted-average fair value per share for the indicated periods:

(In thousands, except for weighted-average fair value per share)	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Total cash received from employees for the issuance of shares under the ESPP	\$ 48,433	\$ 33,793	\$ 48,433	\$ 33,793
Number of shares purchased by employees through the ESPP	118	134	118	134
Tax benefits realized by us in connection with the disqualifying dispositions of shares purchased under the ESPP	\$ 331	\$ 362	\$ 1,696	\$ 924
Weighted-average fair value per share based on Black-Scholes model	\$ 114.32	\$ 73.31	\$ 114.32	\$ 73.31

The ESPP shares are replenished annually on the first day of each fiscal year by virtue of an evergreen provision. The provision allows for share replenishment equal to the lesser of 2.0 million shares or the number of shares which we estimate will be required to be issued under the ESPP during the forthcoming fiscal year. As of December 31, 2023, a total of 2.5 million shares were reserved and available for issuance under the ESPP.

#### Quarterly Cash Dividends

On December 1, 2023, we paid a quarterly cash dividend of \$1.45 per share to stockholders of record as of the close of business on November 15, 2023. The total amount of regular quarterly cash dividends and dividend equivalents paid during the three months ended December 31, 2023 and 2022 was \$196.9 million and \$184.2 million, respectively. The total amount of regular quarterly cash dividends and dividend equivalents paid during the six months ended December 31, 2023 and 2022 was \$378.4 million and \$372.2 million, respectively. The amount of accrued dividend equivalents payable for regular quarterly cash dividends on unvested RSUs with dividend equivalent rights as of December 31, 2023 and June 30, 2023 was \$11.8 million and \$12.2 million, respectively. These amounts will be paid upon vesting of the underlying RSUs.

#### Non-Controlling Interest

As of June 30, 2022, we owned approximately 94% of the outstanding equity interest in Orbograph, a non-core business engaged in the development and marketing of character recognition solutions to banks, financial and other payment processing institutions and healthcare providers. On August 11, 2022, we sold our interest in Orbograph; for further details, refer to Note 6 “Business Combinations and Dispositions” to our Condensed Consolidated Financial Statements.

#### NOTE 11 – STOCK REPURCHASE PROGRAM

Our Board of Directors has authorized a program that permits us to repurchase our common stock, including an increase in the authorized repurchase amount of \$3.00 billion in the first quarter of fiscal 2024. The stock repurchase program has no expiration date and may be suspended at any time. The intent of the program is, in part, to mitigate the potential dilutive impact related to our equity incentive plans and shares issued in connection with our ESPP as well as to return excess cash to our stockholders. Any and all share repurchase transactions are subject to market conditions and applicable legal requirements.

Under the authoritative guidance, share repurchases are recognized as a reduction to retained earnings to the extent available, with any excess recognized as a reduction of capital in excess of par value. In addition, as explained further in Note



13 “Income Taxes,” the Inflation Reduction Act of 2022 (“IRA”) introduced a 1% excise tax imposed on certain stock repurchases by publicly traded companies made after December 31, 2022. The excise tax is recorded as part of the cost basis of treasury stock repurchased after December 31, 2022 and, as such, is included in stockholders’ equity.

As of December 31, 2023, an aggregate of \$3.02 billion was available for repurchase under the stock repurchase program.

Share repurchases for the indicated periods (based on the trade date of the applicable repurchase) were as follows:

<b>(In thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Number of shares of common stock repurchased	848	3,429	1,804	3,686
Total cost of repurchases	\$ 441,563	\$ 370,982	\$ 900,656	\$ 460,598

#### NOTE 12 – NET INCOME PER SHARE

Basic net income per share is calculated by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income per share is calculated by using the weighted-average number of common shares outstanding during the period, increased to include the number of additional shares of common stock that would have been outstanding if the shares of common stock underlying our outstanding dilutive RSUs had been issued. The dilutive effect of outstanding RSUs is reflected in diluted net income per share by application of the treasury stock method.

The following table sets forth the computation of basic and diluted net income per share attributable to KLA:

<b>(In thousands, except per share amounts)</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Numerator:</b>				
Net income attributable to KLA	\$ 582,534	\$ 978,795	\$ 1,323,909	\$ 2,004,786
<b>Denominator:</b>				
Weighted-average shares - basic, excluding unvested RSUs	135,539	141,299	135,976	141,564
Effect of dilutive RSUs and options	715	667	708	704
Weighted-average shares - diluted	136,254	141,966	136,684	142,268
Basic net income per share attributable to KLA	\$ 4.30	\$ 6.93	\$ 9.74	\$ 14.16
Diluted net income per share attributable to KLA	\$ 4.28	\$ 6.89	\$ 9.69	\$ 14.09
Anti-dilutive securities excluded from the computation of diluted net income per share	—	331	—	271

#### NOTE 13 – INCOME TAXES

The following table provides details of income taxes:

<b>(Dollar amounts in thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Income before income taxes	\$ 691,270	\$ 1,142,973	\$ 1,542,981	\$ 2,213,001
Provision for income taxes	\$ 108,736	\$ 164,178	\$ 219,072	\$ 208,141
Effective tax rate	15.7 %	14.4 %	14.2 %	9.4 %

Our effective tax rate is lower than the U.S. federal statutory rate during the six months ended December 31, 2023 primarily due to the proportion of earnings generated in jurisdictions with tax rates lower than the U.S. statutory rate and the proportion of U.S. earnings eligible for the Foreign Derived Intangible Income deduction.

In the normal course of business, we are subject to examination by tax authorities throughout the world. We are subject to U.S. federal income tax examinations for all years beginning from the fiscal year ended June 30, 2018 and are under United States income tax examination for the fiscal years ended June 30, 2018, June 30, 2019 and June 30, 2020. We are subject to state income tax examinations for all years beginning from the fiscal year ended June 30, 2019. We are also subject to examinations in other major foreign jurisdictions, including Singapore and Israel, for all years beginning from the calendar year ended December 31, 2019.

It is possible that certain examinations may be concluded in the next 12 months. The timing and resolution of income tax examinations are uncertain. Given the uncertainty around the timing of the resolution of these ongoing examinations, we are unable to estimate the full range of possible adjustments to our unrecognized tax benefits within the next 12 months.

#### **Legislative Developments**

President Biden signed into law the CHIPS and Science Act of 2022 (“CHIPS Act,” where “CHIPS” stands for Creating Helpful Incentives to Produce Semiconductors) on August 9, 2022. The CHIPS Act provides for various incentives and tax credits among other items, including the Advanced Manufacturing Investment Credit (“AMIC”) which equals 25% of qualified investments in an advanced manufacturing facility that is placed in service after December 31, 2022. There was no material impact to our financial statements from the AMIC provision during the six months ended December 31, 2023.

President Biden also signed into law the IRA on August 16, 2022. The IRA has several new provisions including a 15% corporate alternative minimum tax (“CAMT”) for certain large corporations that have at least an average of \$1.0 billion of adjusted financial statement income over a consecutive three-tax-year period. The CAMT was effective for us beginning in the quarter ended September 30, 2023 and we are not expecting to have any tax impact from the CAMT for the fiscal year ending June 30, 2024.

The IRA also introduced a 1% excise tax imposed on certain stock repurchases by publicly traded companies made after December 31, 2022. We began recording the excise tax as part of the cost basis of treasury stock repurchased after December 31, 2022.

Other than the AMIC, the CAMT and the excise tax imposed on certain stock repurchases as mentioned above, we are currently evaluating the applicability and impact of the other provisions in the IRA and the CHIPS Act on our Condensed Consolidated Financial Statements including our future cash flows.

#### **NOTE 14 – LITIGATION AND OTHER LEGAL MATTERS**

We are named from time to time as a party to lawsuits and other types of legal proceedings and claims in the normal course of our business. Actions filed against us include commercial, intellectual property (“IP”), customer, and labor and employment related claims, including complaints of alleged wrongful termination and potential class action lawsuits regarding alleged violations of federal and state wage and hour and other laws. In general, legal proceedings and claims, regardless of their merit, and associated internal investigations (especially those relating to IP or confidential information disputes) are often expensive to prosecute, defend or conduct, and may divert management’s attention and other Company resources. Moreover, the results of legal proceedings are difficult to predict, and the costs incurred in litigation can be substantial, regardless of outcome. We believe the amounts provided in our Condensed Consolidated Financial Statements are adequate in light of the probable and estimated liabilities. However, because such matters are subject to many uncertainties and the ultimate outcomes are not predictable, there can be no assurances that the actual amounts required to satisfy alleged liabilities from the matters described above will not exceed the amounts reflected in our Condensed Consolidated Financial Statements or will not have a material adverse effect on our results of operations, financial condition or cash flows.

#### **NOTE 15 – COMMITMENTS AND CONTINGENCIES**

**Factoring.** We have factoring agreements with financial institutions to sell certain of our trade receivables and promissory notes from customers without recourse. We do not believe we are at risk for any material losses as a result of these agreements. In addition, we periodically sell certain letters of credit (“LC”), without recourse, received from customers in payment for goods and services.

The following table shows total receivables sold under factoring agreements and proceeds from sales of LC for the indicated periods:

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Receivables sold under factoring agreements	\$ 49,072	\$ 77,212	\$ 94,679	\$ 181,459
Proceeds from sales of LC	\$ 13,900	\$ 44,596	\$ 13,900	\$ 69,247

Factoring and LC fees for the sale of certain trade receivables were recorded in other expense (income), net and were not material for the periods presented.

**Purchase Commitments.** We maintain commitments to purchase inventory from our suppliers as well as goods, services and other assets in the ordinary course of business. Our liability under these purchase commitments is generally restricted to a forecasted time-horizon as mutually agreed between the parties. This forecasted time-horizon can vary among different suppliers. Our estimate of our significant purchase commitments primarily for material, services, supplies and asset purchases is approximately \$2.1 billion as of December 31, 2023, a majority of which are due within the next 12 months. Actual expenditures will vary based upon the volume of the transactions and length of contractual service provided. In addition, the amounts paid under these arrangements may be less in the event that the arrangements are renegotiated or canceled. Certain agreements provide for potential cancellation penalties.

**Cash LTI Plan.** As of December 31, 2023, we have committed \$167.7 million for future payment obligations under our Cash LTI Plan. The calculation of compensation expense related to the Cash LTI Plan includes estimated forfeiture rate assumptions. Cash LTI awards issued to employees under the Cash LTI Plan vest in three or four equal installments, with one-third or one-fourth of the aggregate amount of the Cash LTI award vesting on each anniversary of the grant date over a three- or four-year period. In order to receive payments under a Cash LTI award, participants must remain employed by us as of the applicable award vesting date.

**Guarantees and Contingencies.** We maintain guarantee arrangements available through various financial institutions for up to \$6.7 million, of which \$54.4 million had been issued as of December 31, 2023, primarily to fund guarantees to customs authorities for value-added tax and other operating requirements of our consolidated subsidiaries in Europe, Israel and Asia.

**Indemnification Obligations.** Subject to certain limitations, we are obligated to indemnify our current and former directors, officers and employees with respect to certain litigation matters and investigations that arise in connection with their service to us. These obligations arise under the terms of our certificate of incorporation, our bylaws, applicable contracts, and Delaware and California law. The obligation to indemnify generally means that we are required to pay or reimburse the individuals' reasonable legal expenses and possibly damages and other liabilities incurred by several of our current and former directors, officers and employees in connection with these matters. For example, we have paid or reimbursed legal expenses incurred in connection with the investigation of our historical stock option practices and the related litigation and government inquiries. Although the maximum potential amount of future payments we could be required to make under the indemnification obligations generally described in this paragraph is theoretically unlimited, we believe the fair value of this liability, to the extent estimable, is appropriately considered within the reserve we have established for currently pending legal proceedings.

We are a party to a variety of agreements pursuant to which we may be obligated to indemnify the other party with respect to certain matters. Typically, these obligations arise in connection with contracts and license agreements or the sale of assets, under which we customarily agree to hold the other party harmless against losses arising therefrom, or provide customers with other remedies to protect against bodily injury or damage to personal property caused by our products, non-compliance with our product performance specifications, infringement by our products of third-party IP rights and a breach of warranties, representations and covenants related to matters such as title to assets sold, validity of certain IP rights, non-infringement of third-party rights, and certain income tax-related matters. In each of these circumstances, payment by us is typically subject to the other party making a claim to and cooperating with us pursuant to the procedures specified in the particular contract. This usually allows us to challenge the other party's claims or, in case of breach of IP representations or covenants, to control the defense or settlement of any third-party claims brought against the other party. Further, our obligations under these agreements may be limited in terms of amounts, activity (typically at our option to replace or correct the products or terminate the agreement with a refund to the other party), and duration. In some instances, we may have recourse against third parties and/or insurance covering certain payments made by us.

In addition, we may, in limited circumstances, enter into agreements that contain customer-specific commitments on pricing, tool reliability, spare parts stocking levels, response time and other commitments. Furthermore, we may give these customers limited audit or inspection rights to enable them to confirm that we are complying with these commitments. If a customer elects to exercise its audit or inspection rights, we may be required to expend significant resources to support the audit or inspection, as well as to defend or settle any dispute with a customer that could potentially arise out of such audit or inspection. To date, we have made no significant accruals in our Condensed Consolidated Financial Statements for this contingency. While we have not in the past incurred significant expenses for resolving disputes regarding these types of commitments, we cannot make any assurance that we will not incur any such liabilities in the future.

It is not possible to predict the maximum potential amount of future payments under these or similar agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements have not had a material effect on our business, financial condition, results of operations or cash flows.

## NOTE 16 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The authoritative guidance requires companies to recognize all derivative instruments, including foreign exchange contracts and rate lock agreements (collectively “derivatives”), as either assets or liabilities at fair value on the Condensed Consolidated Balance Sheets. In accordance with the accounting guidance, we designate foreign currency forward transactions and options contracts and interest rate forward transactions as cash flow hedges. In accordance with the accounting guidance, we also designate certain foreign currency exchange contracts as net investment hedge transactions intended to mitigate the variability of the value of certain investments in foreign subsidiaries.

Our foreign subsidiaries operate and sell our products in various global markets. As a result, we are exposed to risks relating to changes in foreign currency exchange rates. We utilize foreign exchange contracts to hedge against future movements in foreign currency exchange rates that affect certain existing and forecasted foreign currency denominated sales and purchase transactions, such as the Japanese yen, the euro, the pound sterling and the new Israeli shekel.

We routinely hedge our exposures to certain foreign currencies with various financial institutions in an effort to minimize the impact of certain currency exchange rate fluctuations. These foreign exchange contracts, designated as cash flow hedges, generally have maturities of less than 18 months. Cash flow hedges are evaluated for effectiveness monthly, based on changes in total fair value of the derivatives. If a financial counterparty to any of our hedging arrangements experiences financial difficulties or is otherwise unable to honor the terms of the foreign currency hedge, we may experience material losses.

Since fiscal 2015, we have entered into five sets of forward contracts, generally, to hedge the benchmark interest rate on portions of our Senior Notes prior to issuance (“Rate Lock Agreements”). Upon issuance of the associated debt, the Rate Lock Agreements were settled and their fair values were recorded within AOCI. The resulting gains and losses from these transactions are amortized to interest expense over the lives of the associated debt. We recognized net gains of \$0.9 million and \$1.9 million in the three and six months ended December 31, 2023, respectively, and net gains of \$0.9 million and \$1.9 million in the three and six months ended December 31, 2022, respectively, for the amortization of the net of the Rate Lock Agreements that had been recognized in AOCI, which decreased the interest expense on a net basis. As of December 31, 2023, the aggregate unamortized portion of the fair value of the forward contracts for the Rate Lock Agreements was a \$45.8 million net gain.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of the gains or losses is reported in AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative contracts executed after adopting the new accounting guidance in fiscal 2019, the election to include time value for the assessment of effectiveness is made on all forward contracts designated as cash flow hedges. The change in fair value of the derivative is recorded in AOCI until the hedged item is recognized in earnings. The assessment of effectiveness of options contracts designated as cash flow hedges exclude time value. The initial value of the component excluded from the assessment of effectiveness is recognized in earnings over the life of the derivative contract. Any differences between changes in the fair value of the excluded components and the amounts recognized in earnings are recorded in AOCI.

For derivatives that are designated and qualify as a net investment hedge in a foreign operation and that meet the effectiveness requirements, the net gains or losses attributable to changes in spot exchange rates are recorded in cumulative translation within AOCI. The remainder of the change in value of such instruments is recorded in earnings using the mark-to-market approach. Recognition in earnings of amounts previously recorded in cumulative translation is limited to circumstances such as complete or substantially complete liquidation or sale of the net investment in the hedged foreign operations.

For derivatives that are not designated as hedges, gains and losses are recognized in other expense (income), net. We use foreign exchange contracts to hedge certain foreign currency denominated assets or liabilities. The gains and losses on these derivative instruments are largely offset by the changes in the fair value of the assets or liabilities being hedged.

**Derivatives in Hedging Relationships: Foreign Exchange Contracts and Rate Lock Agreements**

The gains (losses) on derivatives in cash flow and net investment hedging relationships recognized in other comprehensive income for the indicated periods were as follows:

<b>(In thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Derivatives Designated as Cash Flow Hedging Instruments:</b>				
Rate lock agreements:				
Amounts included in the assessment of effectiveness	\$ (3,385)	\$ (937)	\$ (3,385)	\$ —
Foreign exchange contracts:				
Amounts included in the assessment of effectiveness	\$ 13,184	\$ 9,896	\$ 11,651	\$ 10,712
Amounts excluded from the assessment of effectiveness	\$ 7	\$ (720)	\$ 59	\$ (705)
<b>Derivatives Designated as Net Investment Hedging Instruments:</b>				
Foreign exchange contracts <sup>(1)</sup> :	\$ (9,606)	\$ (1,847)	\$ (7,070)	\$ 1,832

(1) No amounts were reclassified from AOCI into earnings related to the sale of a subsidiary, as there were no such sales during the periods presented.

The locations and amounts of designated and non-designated derivatives' gains and losses reported in the Condensed Consolidated Statements of Operations for the indicated periods were as follows:

<b>(In thousands)</b>	<b>Three Months Ended December 31,</b>				<b>Three Months Ended December 31,</b>			
	<b>2023</b>				<b>2022</b>			
	<b>Revenues</b>	<b>Costs of Revenues and Operating Expenses</b>	<b>Interest Expense</b>	<b>Other Expense (Income), Net</b>	<b>Revenues</b>	<b>Costs of Revenues and Operating Expenses</b>	<b>Interest Expense</b>	<b>Other Expense (Income), Net</b>
Total amounts presented in the Condensed Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	\$ 2,486,726	\$ 1,753,408	\$ 74,202	\$ (32,154)	\$ 2,983,887	\$ 1,784,708	\$ 74,280	\$ (18,074)
<b>Gains (Losses) on Derivatives Designated as Hedging Instruments:</b>								
Rate lock agreements:								
Amount of gains (losses) reclassified from AOCI to earnings	\$ —	\$ —	\$ 937	\$ —	\$ —	\$ —	\$ 937	\$ —
Foreign exchange contracts:								
Amount of gains (losses) reclassified from AOCI to earnings	\$ 8,296	\$ (20)	\$ —	\$ —	\$ 16,361	\$ (3,904)	\$ —	\$ —
Amount excluded from the assessment of effectiveness recognized in earnings	\$ (260)	\$ —	\$ —	\$ 7	\$ (433)	\$ —	\$ —	\$ 455
<b>Gains (Losses) on Derivatives Not Designated as Hedging Instruments:</b>								
Amount of gains (losses) recognized in earnings	\$ —	\$ —	\$ —	\$ 13,062	\$ —	\$ —	\$ —	\$ (8,081)

(In thousands)	Six Months Ended December 31,				Six Months Ended December 31,			
	2023				2022			
	Revenues	Costs of Revenues and Operating Expenses	Interest Expense	Other Expense (Income), Net	Revenues	Costs of Revenues and Operating Expenses	Interest Expense	Other Expense (Income), Net
Total amounts presented in the Condensed Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	\$ 4,883,682	\$ 3,251,158	\$ 148,436	\$ (58,893)	\$ 5,708,311	\$ 3,398,429	\$ 148,675	\$ (65,080)
<b>Gains (Losses) on Derivatives Designated as Hedging Instruments:</b>								
Rate lock agreements:								
Amount of gains (losses) reclassified from AOCI to earnings	\$ —	\$ —	\$ 1,874	\$ —	\$ —	\$ —	\$ 1,874	\$ —
Foreign exchange contracts:								
Amount of gains (losses) reclassified from AOCI to earnings	\$ 11,945	\$ 2,755	\$ —	\$ —	\$ 31,276	\$ (9,271)	\$ —	\$ —
Amount excluded from the assessment of effectiveness recognized in earnings	\$ (513)	\$ —	\$ —	\$ 59	\$ (743)	\$ —	\$ —	\$ 910
<b>Gains (Losses) on Derivatives Not Designated as Hedging Instruments:</b>								
Amount of gains (losses) recognized in earnings	\$ —	\$ —	\$ —	\$ 1,665	\$ —	\$ —	\$ —	\$ 6,293

The U.S. dollar equivalent of all outstanding notional amounts of foreign currency hedge contracts and rate lock agreements, with maximum remaining maturities of approximately 12 months as of the dates indicated below, were as follows:

(In thousands)	As of December 31, 2023	As of June 30, 2023
Cash flow hedge contracts - foreign currency		
Purchase	\$ 449,296	\$ 218,315
Sell	\$ 122,487	\$ 123,951
Net investment hedge contracts - foreign currency		
Sell	\$ 215,114	\$ 87,157
Other foreign currency hedge contracts		
Purchase	\$ 652,098	\$ 527,349
Sell	\$ 368,867	\$ 204,902
Rate lock agreements	\$ 250,000	\$ —

The locations and fair value of our derivatives reported in our Condensed Consolidated Balance Sheets as of the dates indicated below were as follows:

(In thousands)	Asset Derivatives			Liability Derivatives		
	Balance Sheet	As of	As of	Balance Sheet	As of	As of
	Location	December 31, 2023	June 30, 2023	Location	December 31, 2023	June 30, 2023
	Fair Value			Fair Value		
<b>Derivatives designated as hedging instruments</b>						
Rate lock agreements	Other current assets	\$ —	\$ —	Other current liabilities	\$ (3,385)	\$ —
Foreign exchange contracts	Other current assets	\$ 15,590	\$ 24,498	Other current liabilities	\$ (8,862)	\$ (442)
<b>Total derivatives designated as hedging instruments</b>		<b>15,590</b>	<b>24,498</b>		<b>(12,247)</b>	<b>(442)</b>
<b>Derivatives not designated as hedging instruments</b>						
Foreign exchange contracts	Other current assets	23,347	11,214	Other current liabilities	(9,676)	(11,664)
<b>Total derivatives not designated as hedging instruments</b>		<b>23,347</b>	<b>11,214</b>		<b>(9,676)</b>	<b>(11,664)</b>
<b>Total derivatives</b>		<b>\$ 38,937</b>	<b>\$ 35,712</b>		<b>\$ (21,923)</b>	<b>\$ (12,106)</b>

The changes in AOCI, before taxes, related to derivatives for the indicated periods were as follows:

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Beginning AOCI	\$ 75,558	\$ 72,290	\$ 81,611	\$ 77,018
Amount reclassified to earnings as net gains	(8,953)	(12,961)	(16,061)	(23,136)
Net change in unrealized gains	200	6,392	1,255	11,839
Ending AOCI	\$ 66,805	\$ 65,721	\$ 66,805	\$ 65,721

**Offsetting of Derivative Assets and Liabilities**

We present derivatives at gross fair values in the Condensed Consolidated Balance Sheets. We have entered into arrangements with each of our counterparties, which reduce credit risk by permitting net settlement of transactions with the same counterparty under certain conditions. The information related to the offsetting arrangements for the periods indicated was as follows:

(In thousands)	Gross Amounts of Derivatives	Gross Amounts of Derivatives Offset in the Condensed Consolidated Balance Sheets	Net Amount of Derivatives Presented in the Condensed Consolidated Balance Sheets	Gross Amounts of Derivatives Not Offset in the Condensed Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Received	Net Amount
<b>As of December 31, 2023</b>						
Derivatives - assets	\$ 38,937	\$ —	\$ 38,937	\$ (21,100)	\$ —	\$ 17,837
Derivatives - liabilities	\$ (21,923)	\$ —	\$ (21,923)	\$ 21,100	\$ —	\$ (823)
<b>As of June 30, 2023</b>						
Derivatives - assets	\$ 35,712	\$ —	\$ 35,712	\$ (8,968)	\$ —	\$ 26,744
Derivatives - liabilities	\$ (12,106)	\$ —	\$ (12,106)	\$ 8,968	\$ —	\$ (3,138)



**NOTE 17 – RELATED PARTY TRANSACTIONS**

During the three and six months ended December 31, 2023 and 2022, we purchased from, or sold to, several entities where one or more of our executive officers or members of our Board of Directors were, during the periods presented, an executive officer or a board member of a subsidiary, including Advanced Micro Devices, Inc., Agilent Technologies, Inc., Ansys, Inc., HP Inc., Keysight Technologies, Inc., Microchip Technology Incorporated, Splunk Inc., and Tenneco Inc. The following table provides the transactions with these parties for the indicated periods (for the portion of such period that they were considered related):

<u>(In thousands)</u>	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Total revenues	\$ 1,848	\$ 11,042	\$ 5,210	\$ 11,799
Total purchases	\$ 279	\$ 3,035	\$ 2,100	\$ 3,280

Our receivable balances from these parties were immaterial and \$1.0 million as of December 31, 2023 and June 30, 2023, respectively. Our payable balances to these parties were immaterial as of December 31, 2023 and June 30, 2023. All of the related party transactions were made at current market rates.

**NOTE 18 – SEGMENT REPORTING AND GEOGRAPHIC INFORMATION**

Accounting Standards Codification 280, Segment Reporting, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. Our CODM is our Chief Executive Officer.

We have three reportable segments: Semiconductor Process Control; Specialty Semiconductor Process; and PCB, Display and Component Inspection. The reportable segments are determined based on several factors including, but not limited to, customer base, homogeneity of products, technology, delivery channels and similar economic characteristics.

*Semiconductor Process Control*

The Semiconductor Process Control segment offers a comprehensive portfolio of inspection, metrology and data analytics products, and related services, which helps IC manufacturers achieve target yield throughout the entire semiconductor fabrication process, from R&D to final volume production. Our differentiated products and services are designed to provide comprehensive solutions that help our customers accelerate development and production ramp cycles, achieve higher and more stable semiconductor die yields and improve their overall profitability. This reportable segment is comprised of two operating segments, Wafer Inspection and Patterning and GSS.

*Specialty Semiconductor Process*

The Specialty Semiconductor Process segment develops and sells advanced vacuum deposition and etching process tools, which are used by a broad range of specialty semiconductor customers, including manufacturers of microelectromechanical systems (“MEMS”), radio frequency (“RF”) communication chips and power semiconductors for automotive and industrial applications. This reportable segment is comprised of one operating segment.

*PCB, Display and Component Inspection*

The PCB, Display and Component Inspection segment enables electronic device manufacturers to inspect, test and measure PCBs, flat panel displays and ICs to verify their quality, pattern the desired electronic circuitry on the relevant substrate and perform three-dimensional shaping of metalized circuits on multiple surfaces. This reportable segment is comprised of two operating segments, PCB and Display and Component Inspection.

The CODM assesses the performance of each operating segment and allocates resources to those segments based on total revenues and segment gross profit and does not evaluate the segments using discrete asset information. Segment gross profit excludes corporate allocations and effects of changes in foreign currency exchange rates, amortization of intangible assets, amortization of inventory fair value adjustments, and transaction costs associated with our acquisitions related to costs of revenues.

The following is a summary of results for each of our three reportable segments for the indicated periods:

<b>(In thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Semiconductor Process Control:</b>				
Revenues	\$ 2,194,079	\$ 2,657,395	\$ 4,329,557	\$ 5,055,154
Segment gross profit	1,418,339	1,678,037	2,804,868	3,255,019
<b>Specialty Semiconductor Process:</b>				
Revenues	150,065	158,085	276,784	285,952
Segment gross profit	81,278	84,040	150,579	151,080
<b>PCB, Display and Component Inspection:</b>				
Revenues	143,032	169,959	279,075	370,704
Segment gross profit	57,165	53,864	96,985	139,538
<b>Totals:</b>				
Revenues for reportable segments	\$ 2,487,176	\$ 2,985,439	\$ 4,885,416	\$ 5,711,810
Segment gross profit	\$ 1,556,782	\$ 1,815,941	\$ 3,052,432	\$ 3,545,637

The following table reconciles total reportable segment revenues to total revenues for the indicated periods:

<b>(In thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Total revenues for reportable segments	\$ 2,487,176	\$ 2,985,439	\$ 4,885,416	\$ 5,711,810
Corporate allocations and effects of changes in foreign currency exchange rates	(450)	(1,552)	(1,734)	(3,499)
Total revenues	\$ 2,486,726	\$ 2,983,887	\$ 4,883,682	\$ 5,708,311

The following table reconciles total segment gross profit to income before income taxes for the indicated periods:

<b>(In thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Total segment gross profit	\$ 1,556,782	\$ 1,815,941	\$ 3,052,432	\$ 3,545,637
Acquisition-related charges, corporate allocations and effects of changes in foreign currency exchange rates <sup>(1)</sup>	46,802	40,840	92,387	87,338
R&D	320,418	332,826	631,632	651,341
SG&A	237,244	243,096	476,889	497,076
Impairment of goodwill and purchased intangible assets	219,000	—	219,000	—
Interest expense	74,202	74,280	148,436	148,675
Loss on extinguishment of debt	—	—	—	13,286
Other expense (income), net	(32,154)	(18,074)	(58,893)	(65,080)
Income before income taxes	\$ 691,270	\$ 1,142,973	\$ 1,542,981	\$ 2,213,001

(1) Acquisition-related charges primarily include amortization of intangible assets and other acquisition-related costs classified or presented as part of costs of revenues.

Our significant operations outside the United States include manufacturing facilities in China, Germany, Israel and Singapore and sales, marketing and service offices in Japan, the rest of the Asia Pacific region and Europe. For geographical revenue reporting, revenues are attributed to the geographic location in which the customer is located. Long-lived assets consist of land, property and equipment, net, and are attributed to the geographic region in which they are located.

The following is a summary of revenues by geographic region, based on ship-to location, for the indicated periods:

(Dollar amounts in thousands)	Three Months Ended December 31,				Six Months Ended December 31,			
	2023		2022		2023		2022	
<b>Revenues:</b>								
China	\$ 1,027,780	41 %	\$ 681,701	23 %	\$ 2,053,724	42 %	\$ 1,521,362	27 %
Taiwan	375,259	15 %	768,999	26 %	780,602	16 %	1,517,333	27 %
Korea	310,672	12 %	590,936	20 %	530,493	11 %	998,398	17 %
Japan	297,757	12 %	269,746	9 %	525,134	11 %	487,455	9 %
North America	263,613	11 %	366,641	12 %	514,326	10 %	600,395	10 %
Europe and Israel	123,362	5 %	169,614	5 %	291,798	6 %	333,687	6 %
Rest of Asia	88,283	4 %	136,250	5 %	187,605	4 %	249,681	4 %
<b>Total</b>	<b>\$ 2,486,726</b>	<b>100 %</b>	<b>\$ 2,983,887</b>	<b>100 %</b>	<b>\$ 4,883,682</b>	<b>100 %</b>	<b>\$ 5,708,311</b>	<b>100 %</b>

The following is a summary of revenues by major product categories for the indicated periods:

(Dollar amounts in thousands)	Three Months Ended December 31,				Six Months Ended December 31,			
	2023		2022		2023		2022	
<b>Revenues:</b>								
Wafer Inspection	\$ 1,166,484	47 %	\$ 1,256,540	42 %	\$ 2,176,682	45 %	\$ 2,359,082	41 %
Patterning	430,384	17 %	861,262	29 %	972,872	20 %	1,594,632	28 %
Specialty Semiconductor Process	136,278	6 %	145,542	5 %	248,381	5 %	259,986	5 %
PCB, Display and Component Inspection	77,298	3 %	108,644	4 %	148,462	3 %	243,087	4 %
Services	564,917	23 %	520,479	17 %	1,125,209	23 %	1,049,294	18 %
Other	111,365	4 %	91,420	3 %	212,076	4 %	202,230	4 %
<b>Total</b>	<b>\$ 2,486,726</b>	<b>100 %</b>	<b>\$ 2,983,887</b>	<b>100 %</b>	<b>\$ 4,883,682</b>	<b>100 %</b>	<b>\$ 5,708,311</b>	<b>100 %</b>

Wafer Inspection and Patterning products are offered in the Semiconductor Process Control segment. Services are offered in multiple segments. Other includes primarily refurbished systems, remanufactured legacy systems, and enhancements and upgrades for previous-generation products that are part of the Semiconductor Process Control segment.

In the three months ended December 31, 2023, no customers accounted for greater than 10% of total revenues. In the three months ended December 31, 2022, two customers accounted for approximately 21% and 17% of total revenues, respectively. In the six months ended December 31, 2023, one customer accounted for approximately 11% of total revenues. In the six months ended December 31, 2022, two customers accounted for approximately 21% and 14% of total revenues, respectively. One customer and two customers on an individual basis accounted for greater than 10% of accounts receivable, net, at December 31, 2023 and at June 30, 2023, respectively.

Land, property and equipment, net by geographic region as of the dates indicated below were as follows:

(In thousands)	As of December 31, 2023	As of June 30, 2023
<b>Land, property and equipment, net:</b>		
United States	\$ 696,386	\$ 672,561
Singapore	153,360	150,989
Europe	110,041	74,015
Israel	90,804	92,815
Rest of Asia	38,233	41,461
<b>Total</b>	<b>\$ 1,088,824</b>	<b>\$ 1,031,841</b>

#### NOTE 19 – RESTRUCTURING CHARGES

From time to time, management approves restructuring plans including workforce reductions in an effort to streamline operations.

Restructuring charges were \$1.3 million and \$0.6 million for the three months ended December 31, 2023 and 2022, respectively. Restructuring charges were \$1.9 million and \$16.8 million for the six months ended December 31, 2023 and 2022, respectively. The fiscal year 2023 charges include one-time transaction bonuses triggered by the sale of Orbograph. As of December 31, 2023 and June 30, 2023, the accrual for restructuring charges was \$3.2 million and \$11.0 million, respectively.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact may be forward-looking statements. You can identify these and other forward-looking statements by the use of words such as "may," "will," "could," "would," "should," "expects," "plans," "anticipates," "relies," "believes," "estimates," "predicts," "intends," "potential," "continues," "thinks," "seeks," or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. Such forward-looking statements include those regarding, among others: the future impacts of the COVID-19 pandemic; forecasts of the future results of our operations, including profitability; orders for our products and capital equipment generally; sales of semiconductors; the investments by our customers in advanced technologies and new materials; growth of revenue in the semiconductor industry, the semiconductor capital equipment industry and our business; technological trends in the semiconductor industry; future developments or trends in the global capital and financial markets; our future product offerings and product features; the success and market acceptance of new products; timing of shipment of order backlog; our future product shipments and product and service revenues; our future gross margins; our future research and development ("R&D") expenses and selling, general and administrative ("SG&A") expenses; international sales and operations; our ability to maintain or improve our existing competitive position; success of our product offerings; creation and funding of programs for R&D; results of our investment in leading edge technologies; the effects of hedging transactions; the effect of the sale of trade receivables and promissory notes from customers; the effect of future compliance with laws and regulations; our future effective income tax rate; our recognition of tax benefits; the effects of any audits or litigation; future payments of dividends to our stockholders; the completion of our acquisitions of third parties, or the technology or assets thereof; benefits received from any acquisitions and development of acquired technologies; sufficiency of our existing cash balance, investments, cash generated from operations and the unfunded portion of our Revolving Credit Facility (as defined below in the "Revolving Credit Facility" section of "Results of Operations") to meet our operating and working capital requirements, including debt service and payment thereof; future dividends, and stock repurchases; our compliance with the financial covenants under the Credit Agreement (as defined below in the "Revolving Credit Facility" section of "Results of Operations") for our Revolving Credit Facility; the adoption of new accounting pronouncements; our repayment of our outstanding indebtedness; and our environmental, social and governance ("ESG") related targets, goals and commitments.*

*Our actual results may differ significantly from those projected in the forward-looking statements in this report. Factors that might cause or contribute to such differences include, but are 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 ("BIS") of the U.S. Department of Commerce ("Commerce") rules and regulations (the "2022 BIS Rules," the "2023 BIS Rules" and, collectively, the "BIS Rules") and their impact on our ability to sell products to and provide services to certain customers in People's Republic of China ("China");*
- Costly intellectual property ("IP") 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;*
- Increasing attention to ESG matters and the resulting costs, risks and impact on our business;*
- Unexpected delays, difficulties and expenses in executing against our environmental, climate, diversity and inclusion or other ESG target, 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;*
- Our ability to identify suitable acquisition targets and successfully integrate and manage acquired businesses;*
- Climate change, earthquake, flood or other natural catastrophic events, public health crises such as the COVID-19 pandemic or terrorism and the adverse impact on our business operations;*
- The war between Ukraine and Russia, and the war between Israel and Hamas, and the significant military activity in that region;*
- 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 cyclical nature of the industries in which we operate;*
- *Our ability to timely develop new technologies and products that successfully address changes in the industry;*
- *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 R&D is subject to audit, and potential termination or penalties;*
- *We may incur significant restructuring charges or other asset impairment charges or inventory write offs; and*
- *We are subject to risks related to receivables factoring arrangements and compliance risk of certain settlement agreements with the government.*

*For a more detailed discussion of these and other risk factors that might cause or contribute to differences from the forward-looking statements in this report, see Part II, Item 1A “Risk Factors” in this report as well as Part I, Item 1 “Business” and Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended June 30, 2023. You should carefully review these risks and also review the risks described in other documents we file from time to time with the Securities and Exchange Commission (“SEC”). You are cautioned not to place undue reliance on these forward-looking statements, and we expressly assume no obligation and do not intend to update the forward-looking statements in this report after the date hereof.*

## **EXECUTIVE SUMMARY**

We are a leading supplier of process control and yield management solutions and services for the semiconductor and related electronics industries. Our broad portfolio of inspection and metrology products, and related service, software and other offerings, support R&D and manufacturing of integrated circuits (“IC”), wafers and reticles. Our products, services and expertise are used by our customers to measure, detect, analyze and resolve critical and nanometric level product defects, helping them to manage manufacturing process challenges and to obtain higher finish product yields at lower cost. We also offer advanced technology solutions to address various manufacturing needs of printed circuit boards (“PCB”), flat panel displays (“FPD”), specialty semiconductor devices and other electronic components, including advanced packaging, light-emitting diode (“LED”), power devices, compound semiconductor, and data storage industries, as well as general materials research.

Our semiconductor customers generally operate in one or both of the major semiconductor device manufacturing markets: memory and foundry/logic. The pervasive and increasing needs for semiconductors in many consumer and industrial products, the rapid proliferation of new applications for more advanced semiconductor devices, and the increasing complexity associated with leading edge semiconductor manufacturing drives demand for our process control and yield management solutions. Continuing advancement of technology spurred by the economic, power and performance benefits of being at the leading edge, increasing involvement in legacy nodes as semiconductor content increases, and innovation and growth of new enabling technologies are fueling long-term growth for the semiconductor equipment industry. End-market demand drivers that are expected to continue in the long term are related to artificial intelligence (“AI”), the deployment of 5G telecommunications technology and associated high-end mobile devices, the electrification and digitization of the automotive industry, the revival of personal computer demand and associated innovations to support remote work, virtual collaboration, remote learning and entertainment, and the growth of the Internet of Things (“IoT”). Recently, the macro-driven slowdown has impacted general

semiconductor demand as the semiconductor industry rebalances its supply chain and reduces inventory levels. As a result of this slowdown as well as a higher interest rate environment, memory device manufacturers and foundry/logic customers are reducing their capacity expansion-focused capital expenditure plans. In addition, semiconductor and other technology delays from customers, in converting to new chips and technology methods, for example, may result in impacts to process control capital intensity. Therefore, while we continue to invest in technological innovation, we are focusing on moderating our spending levels to reflect the changing environment. Push out or cancellation of deliveries to our customers could cause earnings volatility, due to the timing of revenue recognition as well as increased risk of inventory-related charges.

We are organized into three reportable segments as follows:

- Semiconductor Process Control: a comprehensive portfolio of inspection, metrology and data analytics products as well as related service offerings that help IC manufacturers achieve target yields throughout the semiconductor fabrication process, from R&D to final volume production.
- Specialty Semiconductor Process: advanced vacuum deposition and etching process tools used by a broad range of specialty semiconductor customers.
- PCB, Display and Component Inspection: a range of inspection, testing and measurement, and direct imaging for patterning products used by manufacturers of PCBs, FPDs, advanced packaging, microelectromechanical systems, and other electronic components.

A majority of our revenues are derived from outside the U.S., and include geographic regions such as China, Taiwan, Korea, Japan, Europe and Israel, and Rest of Asia. China has emerged as a major region for manufacturing of logic and memory chips, adding to its role as the world's largest consumer of ICs. Additionally, a significant portion of global FPD and PCB manufacturing has migrated to China. Chinese government initiatives are propelling China to expand its domestic manufacturing capacity and attracting investment from semiconductor manufacturers from Taiwan, Korea, Japan and the U.S. Although China is currently seen as an important long-term growth region for the semiconductor and electronics capital equipment sector, Commerce has adopted regulations and added certain China-based entities to the U.S. Entity List (a list of parties that are generally ineligible to receive U.S.-regulated items without prior licensing from BIS), restricting our ability to provide products and services to such entities without a license. In addition, Commerce has imposed export licensing requirements on China-based customers that are military end users or engaged in military end uses, as well as requiring our customers to obtain an export license when they use certain semiconductor capital equipment based on U.S. technology to manufacture products connected to certain entities on the U.S. Entity List.

In addition, in October 2022, BIS issued the 2022 BIS Rules, which imposed export licensing requirements for certain U.S. semiconductor and high-performance computing technology (including wafer fab equipment), for the use of such technology for certain end uses in China, and for the provision of support by U.S. Persons to certain advanced IC fabs located in China. In particular, the 2022 BIS Rules impose export license requirements effectively on all KLA products and services to customers located in China that fabricate:

- a. Non-planar ICs (e.g., FinFet or GaaFeT) or 14/16nm and below logic ICs;
- b. NAND ICs at 128 layers and above; and
- c. DRAM ICs using a "production" technology node of 18 nanometer half-pitch or less.

KLA is also restricted from providing certain U.S. origin tools, software and technology to certain wafer fab equipment manufacturers located in China, absent an export license.

In October 2023, BIS issued additional rules that went into effect in November 2023. These 2023 BIS Rules are designed to update export controls on advanced computing semiconductors and semiconductor manufacturing equipment, as well as items that support supercomputing applications and end-uses, to arms embargoed countries, including China. The 2023 BIS Rules adjust the parameters included in the 2022 BIS Rules that determine whether an advanced computing chip is restricted and impose new measures to address risks of circumvention of the controls established by the 2022 BIS Rules. The 2023 BIS Rules are very complex and, in January 2024, KLA, among other companies, submitted comments to the BIS on the 2023 BIS Rules. We are taking appropriate measures to comply with all BIS Rules, and will continue to apply for export licenses, when required, to avoid disruption to our customers' operations. While some export licenses have been obtained by us or our customers, there can be no assurance that export licenses applied for by either us or our customers, now or in the future, will be granted.

The possible negative effects on our future business of export licenses not being granted could be material and could disrupt our supply chain and product shipment, and impair our ability to complete product development in a timely manner, or

our ability to support existing customers of covered products or supply customers of covered products outside the impacted regions, and may require us to transition certain operations out of one or more of the identified countries. Failure to obtain export licenses could also result in a substantial reduction to our remaining performance obligations (“RPO”) or require us to return substantial deposits received from customers in China for purchase orders. We are continuously assessing the aggregate potential impact of government regulations on our financial results and operations. See Part II, Item 1A “Risk Factors” in this report for more information regarding how such actions by the U.S. government or another country could significantly impact our ability to provide our products and services to existing and potential customers, especially in China, and adversely affect our business, financial condition and results of operations.

The following table sets forth some of our key quarterly unaudited financial information:

<b>(In thousands, except net income per share)</b>	<b>Three Months Ended</b>				
	<b>December 31, 2023</b>	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Total revenues	\$ 2,486,726	\$ 2,396,956	\$ 2,355,137	\$ 2,432,608	\$ 2,983,887
Costs of revenues	\$ 976,746	\$ 946,891	\$ 962,949	\$ 1,005,346	\$ 1,208,786
Gross margin	60.7 %	60.5 %	59.1 %	58.7 %	59.5 %
Net income attributable to KLA <sup>(1)(2)</sup>	\$ 582,534	\$ 741,375	\$ 684,654	\$ 697,837	\$ 978,795
Diluted net income per share attributable to KLA <sup>(3)</sup>	\$ 4.28	\$ 5.41	\$ 4.97	\$ 5.03	\$ 6.89

- (1) For the explanation why our net income attributable to KLA decreased to \$582.5 million in the three months ended December 31, 2023 compared to the three months ended December 31, 2022, refer to the “Results of Operations” section below, as the change is a result of movements in various income statement line items.
- (2) Our net income attributable to KLA for the three months ended December 31, 2023 includes a pre-tax goodwill and purchased intangible asset impairment charge of \$219.0 million. For additional details, refer to Note 7 “Goodwill and Purchased Intangible Assets” in the Notes to our Condensed Consolidated Financial Statements.
- (3) 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.

### CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of our Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in applying our accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical experience and evaluate them on an ongoing basis to ensure that they remain reasonable under current conditions. Actual results could differ from those estimates. We discuss the development and selection of the critical accounting estimates with the Audit Committee of our Board of Directors on a quarterly basis, and the Audit Committee has reviewed our related disclosure in this Quarterly Report on Form 10-Q.

There have been no material changes in our critical accounting estimates and policies since our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. Refer to Note 1 “Description of Business and Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for our fiscal year ended June 30, 2023 for additional details on significant accounting policies. In addition, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended June 30, 2023 for a complete description of our critical accounting estimates.

### Goodwill and Long-Lived Assets

We assess goodwill for impairment annually as well as whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Events or changes in circumstances that could affect the likelihood that we will be required to recognize an impairment charge for goodwill include, but are not limited to, declines in our stock price or market capitalization, declines in our market share, and declines in revenues or profits at our reporting units. Additionally, events or changes in circumstances that could affect the likelihood that we will be required to recognize an impairment charge for the long-lived assets primarily include declines in our operating cash flows from the use of these assets. Any impairment charge could have a material adverse effect on our operating results and net asset value in the quarter in which we recognize the impairment charge. Due to the downward revision of financial outlook for our PCB and Display businesses,



we performed a quantitative goodwill impairment assessment and recorded impairment losses related to goodwill of \$192.6 million in the second quarter of fiscal 204. See Note 7 “Goodwill and Purchased Intangible Assets” in the Notes to the Condensed Consolidated Financial Statements for further detail.

In addition, the downward revision of financial outlook for our PCB and Display businesses was identified as an impairment indicator for the long-lived assets in our PCB and Display operating segment. Therefore, the Company performed a recoverability test for each asset group identified in the PCB and Display operating segment by comparing projected undiscounted cash flows from the use and eventual disposition of each asset group to its carrying value. This test indicated that the undiscounted cash flows were not sufficient to recover the carrying value of the asset groups. We then compared the carrying value of the individual long-lived assets within those asset groups against their fair value in order to measure the impairment loss. As a result, we recorded impairment losses related to purchased intangible assets of \$26.4 million during the second quarter of fiscal 2024. No impairment was identified for other long-lived assets in the three months ended December 31, 2023.

Determining fair values utilized in our impairment calculations involved the use of significant estimates and assumptions, including revenue forecasts, terminal growth rate, tax rate and a weighted average cost of capital adjusted for company-specific risk. See Note 7 “Goodwill and Purchased Intangible Assets” in the Notes to the Condensed Consolidated Financial Statements for further detail. There can be no assurance that the estimates and assumptions used will prove to be an accurate prediction of the future. If our assumptions are not realized, or if there are future changes in any of the assumptions due to a change in economic conditions or otherwise, it is possible that a further impairment charge may need to be recorded in the future.

**Recent Accounting Pronouncements**

For a description of recent accounting pronouncements, including those recently adopted and the expected dates of adoption as well as estimated effects, if any, on our Condensed Consolidated Financial Statements of those not yet adopted, see Note 1 “Basis of Presentation” to our Condensed Consolidated Financial Statements.

**RESULTS OF OPERATIONS**

**Revenues and Gross Margin**

**Revenues**

Our business is affected by the concentration of our customer base and our customers’ capital equipment procurement schedules as a result of their investment plans. Our product revenues in any particular period are impacted by the amount of new orders we receive during that period and, depending upon the duration of manufacturing and installation cycles, in the preceding periods. Revenue is also impacted by average customer pricing, customer revenue deferrals associated with volume purchase agreements, the effect of fluctuations in foreign currency exchange rates and increased trade restrictions as discussed in the “Executive Summary” section above.

Service revenues are generated from product maintenance and support services, as well as billable time and material service calls made to our customers. The amount of our service revenues is typically a function of the number of systems installed at our customers’ sites and the utilization of those systems, but it is also impacted by other factors, such as our rate of service contract renewals, the types of systems being serviced and fluctuations in foreign currency exchange rates.

<b>(Dollar amounts in thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Q2 FY24 vs. Q2 FY23</b>	
	<b>2023</b>	<b>2022</b>		
<b>Revenues:</b>				
Product	\$ 1,921,809	\$ 2,463,408	\$ (541,599)	(22)%
Service	564,917	520,479	44,438	9 %
<b>Total revenues</b>	<b>\$ 2,486,726</b>	<b>\$ 2,983,887</b>	<b>\$ (497,161)</b>	<b>(17)%</b>
Costs of revenues	\$ 976,746	\$ 1,208,786	\$ (232,040)	(19)%
Gross margin	60.7 %	59.5 %		

<b>(Dollar amounts in thousands)</b>	<b>Six Months Ended December 31,</b>		<b>Q2 FY24 YTD vs. Q2 FY23 YTD</b>	
	<b>2023</b>	<b>2022</b>		
<b>Revenues:</b>				
Product	\$ 3,758,473	\$ 4,659,017	\$ (900,544)	(19)%
Service	1,125,209	1,049,294	75,915	7 %
<b>Total revenues</b>	<b>\$ 4,883,682</b>	<b>\$ 5,708,311</b>	<b>\$ (824,629)</b>	<b>(14)%</b>
Costs of revenues	\$ 1,923,637	\$ 2,250,012	\$ (326,375)	(15)%
Gross margin	60.6 %	60.6 %		

Product revenues during the three and six months ended December 31, 2023 decreased compared to the three and six months ended December 31, 2022 primarily due to the broad, macro-driven slowdown that has impacted semiconductor demand overall, causing the semiconductor industry to rebalance its supply chain and reduce inventory levels, and memory device manufacturers and foundry/logic customers to reduce their capacity expansion-focused capital expenditure plans.

Service revenues during the three and six months ended December 31, 2023 increased compared to the three and six months ended December 31, 2022 primarily due to an increase in our installed base.

**Revenues by segment<sup>(1)</sup>**

<b>(Dollar amounts in thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Q2 FY24 vs. Q2 FY23</b>	
	<b>2023</b>	<b>2022</b>		
<b>Revenues:</b>				
Semiconductor Process Control	\$ 2,194,079	\$ 2,657,395	\$ (463,316)	(17)%
Specialty Semiconductor Process	150,065	158,085	(8,020)	(5)%
PCB, Display and Component Inspection	143,032	169,959	(26,927)	(16)%
<b>Total revenues for reportable segments</b>	<b>\$ 2,487,176</b>	<b>\$ 2,985,439</b>	<b>\$ (498,263)</b>	<b>(17)%</b>

<b>(Dollar amounts in thousands)</b>	<b>Six Months Ended December 31,</b>		<b>Q2 FY24 YTD vs. Q2 FY23 YTD</b>	
	<b>2023</b>	<b>2022</b>		
<b>Revenues:</b>				
Semiconductor Process Control	\$ 4,329,557	\$ 5,055,154	\$ (725,597)	(14)%
Specialty Semiconductor Process	276,784	285,952	(9,168)	(3)%
PCB, Display and Component Inspection	279,075	370,704	(91,629)	(25)%
<b>Total revenues for reportable segments</b>	<b>\$ 4,885,416</b>	<b>\$ 5,711,810</b>	<b>\$ (826,394)</b>	<b>(14)%</b>

(1) Segment revenues exclude corporate allocations and the effects of changes in foreign currency exchange rates. For additional details, refer to Note 18 “Segment Reporting and Geographic Information” to our Condensed Consolidated Financial Statements.

Revenues from our Semiconductor Process Control segment during the three and six months ended December 31, 2023 decreased compared to three and six months ended December 31, 2022 primarily due to the broad, macro-driven slowdown that has impacted semiconductor demand overall, causing the semiconductor industry to rebalance its supply chain and reduce inventory levels, and memory device manufacturers and foundry/logic customers to reduce their capacity expansion-focused capital expenditure plans. Revenues in the Specialty Semiconductor Process segment during the three months ended December 31, 2023 decreased compared to the three months ended December 31, 2022 due to a lower revenue volume of products sold in second quarter of fiscal 2024. Revenues in the Specialty Semiconductor Process segment during the six months ended December 31, 2023 remained relatively flat compared to the six months ended December 31, 2022. Revenues in the PCB, Display and Component Inspection segment during the three and six months ended December 31, 2023 decreased compared to the three and six months ended December 31, 2022 primarily due to market softening.

The following is a summary of revenues by geographic region, based on ship-to location, for the indicated periods:

(Dollar amounts in thousands)	Three Months Ended December 31,				Six Months Ended December 31,			
	2023		2022		2023		2022	
China	\$ 1,027,780	41 %	\$ 681,701	23 %	\$ 2,053,724	42 %	\$ 1,521,362	27 %
Taiwan	375,259	15 %	768,999	26 %	780,602	16 %	1,517,333	27 %
Korea	310,672	12 %	590,936	20 %	530,493	11 %	998,398	17 %
Japan	297,757	12 %	269,746	9 %	525,134	11 %	487,455	9 %
North America	263,613	11 %	366,641	12 %	514,326	10 %	600,395	10 %
Europe and Israel	123,362	5 %	169,614	5 %	291,798	6 %	333,687	6 %
Rest of Asia	88,283	4 %	136,250	5 %	187,605	4 %	249,681	4 %
Total	\$ 2,486,726	100 %	\$ 2,983,887	100 %	\$ 4,883,682	100 %	\$ 5,708,311	100 %

A significant portion of our revenues continues to be generated in Asia, where a substantial portion of the world's semiconductor manufacturing capacity is located, and we expect that trend to continue.

### Gross margin

Our gross margin fluctuates with revenue levels and product mix and is affected by variations in costs related to manufacturing and servicing our products, including our ability to scale our operations efficiently and effectively in response to prevailing business conditions.

The following table summarizes the major factors that contributed to the changes in gross margin:

	Gross Margin	
	Three Months Ended	Six Months Ended
<b>December 31, 2022</b>	59.5%	60.6%
Revenue volume of products and services	(2.5)%	(2.1)%
Mix of products and services sold	1.0%	0.9%
Manufacturing labor, overhead and efficiencies	(1.0)%	(0.6)%
Other service and manufacturing costs	3.7%	1.8%
<b>December 31, 2023</b>	60.7%	60.6%

Changes in gross margin from revenue volume of products and services, reflect our ability to leverage existing infrastructure to generate higher revenues. Changes in gross margin from the mix of products and services sold reflect the impact of changes within the composition of product and service offerings. Changes in gross margin from manufacturing labor, overhead and efficiencies reflect our ability to manage costs and drive productivity as we scale our manufacturing activity to respond to customer requirements, and amortization of intangible assets. Changes in gross margin from other service and manufacturing costs include the impact of customer support costs, including the efficiencies with which we deliver services to our customers, and the effectiveness with which we manage our production plans and inventory risk.

The increase in our gross margin during the three months ended December 31, 2023 compared to the three months ended December 31, 2022 is primarily due to a more profitable mix of products and services sold and a decrease in other service and manufacturing costs, partially offset by a lower revenue volume of products and services sold.

### Segment gross profit<sup>(1)</sup>

(Dollar amounts in thousands)	Three Months Ended December 31,		Q2 FY24 vs. Q2 FY23	
	2023	2022		
Segment gross profit:				
Semiconductor Process Control	\$ 1,418,339	\$ 1,678,037	\$ (259,698)	(15)%
Specialty Semiconductor Process	81,278	84,040	(2,762)	(3)%
PCB, Display and Component Inspection	57,165	53,864	3,301	6 %
Total segment gross profit	\$ 1,556,782	\$ 1,815,941	\$ (259,159)	(14)%

<u>(Dollar amounts in thousands)</u>	<u>Six Months Ended December 31,</u>		<u>Q2 FY24 YTD</u>	
	<u>2023</u>	<u>2022</u>	<u>vs.</u>	<u>Q2 FY23 YTD</u>
Segment gross profit:				
Semiconductor Process Control	\$ 2,804,868	\$ 3,255,019	\$ (450,151)	(14)%
Specialty Semiconductor Process	150,579	151,080	(501)	— %
PCB, Display and Component Inspection	96,985	139,538	(42,553)	(30)%
Total segment gross profit	<u>\$ 3,052,432</u>	<u>\$ 3,545,637</u>	<u>\$ (493,205)</u>	<u>(14)%</u>

(1) Segment gross profit is calculated as segment revenues less segment costs of revenues and excludes corporate allocations, amortization of intangible assets and the effects of changes in foreign currency exchange rates. For additional details, refer to Note 18 “Segment Reporting and Geographic Information” to our Condensed Consolidated Financial Statements.

Gross profit in the Semiconductor Process Control segment during the three and six months ended December 31, 2023 decreased compared to the three and six months ended December 31, 2022 primarily due to a lower revenue volume of products and services sold. Gross profit in the Specialty Semiconductor Process segment during the three and six months ended December 31, 2023 remained relatively flat compared to the three months and six ended December 31, 2022. Gross profit in the PCB, Display and Component Inspection segment during the three months ended December 31, 2023 increased compared to the three months ended December 31, 2022 due to lower other service and manufacturing costs in the second quarter of fiscal 2024, partially offset by lower volume of products and services sold. Gross profit in the PCB, Display and Component Inspection segment during the six months ended December 31, 2023 decreased compared to the six months ended December 31, 2022 primarily due to a lower revenue volume of products and services sold and an increase in other service and manufacturing costs in the fiscal 2024 period.

### Research and Development

R&D expenses may fluctuate with product development phases and project timing as well as our R&D efforts. As technological innovation is essential to our success, we may incur significant costs associated with R&D projects, including compensation for engineering talent, engineering material costs and other expenses.

<u>(Dollar amounts in thousands)</u>	<u>Three Months Ended December 31,</u>		<u>Q2 FY24</u>	
	<u>2023</u>	<u>2022</u>	<u>vs.</u>	<u>Q2 FY23</u>
R&D expenses	\$ 320,418	\$ 332,826	\$ (12,408)	(4)%
R&D expenses as a percentage of total revenues	13 %	11 %		

R&D expenses during the three months ended December 31, 2023 decreased compared to the three months ended December 31, 2022 primarily due to a decrease in engineering project material costs of \$18.0 million and a decrease in consulting costs of \$3.1 million. These decreases were partially offset by an increase in employee-related expenses of \$6.1 million and an increase in depreciation expense of \$2.4 million.

<u>(Dollar amounts in thousands)</u>	<u>Six Months Ended December 31,</u>		<u>Q2 FY24 YTD</u>	
	<u>2023</u>	<u>2022</u>	<u>vs.</u>	<u>Q2 FY23 YTD</u>
R&D expenses	\$ 631,632	\$ 651,341	\$ (19,709)	(3)%
R&D expenses as a percentage of total revenues	13 %	11 %		

R&D expenses during the six months ended December 31, 2023 decreased compared to the six months ended December 31, 2022 primarily due to a decrease in engineering project material costs of \$25.9 million, a decrease of \$3.7 million in consulting costs, and a decrease of \$3.7 million in depreciation expense. These decreases were partially offset by an increase in employee-related expenses of \$13.2 million.

Our future operating results will depend significantly on our ability to produce products and provide services that have a competitive advantage in our marketplace. To do this, we believe we must continue to make substantial and focused investments in our R&D. We remain committed to product development in new and emerging technologies.

**Selling, General and Administrative**

<b>(Dollar amounts in thousands)</b>	<b>Three Months Ended December 31,</b>		<b>Q2 FY24 vs. Q2 FY23</b>	
	<b>2023</b>	<b>2022</b>		
SG&A expenses	\$ 237,244	\$ 243,096	\$ (5,852)	(2)%
SG&A expenses as a percentage of total revenues	10 %	8 %		

SG&A expenses during the three months ended December 31, 2023 decreased compared to the three months ended December 31, 2022 primarily due to a decrease in allowance for credit losses of \$7.1 million and a decrease in depreciation expense of \$2.6 million. These decreases were partially offset by an increase in facility-related expenses of \$4.5 million.

<b>(Dollar amounts in thousands)</b>	<b>Six Months Ended December 31,</b>		<b>Q2 FY24 YTD vs. Q2 FY23 YTD</b>	
	<b>2023</b>	<b>2022</b>		
SG&A expenses	\$ 476,889	\$ 497,076	\$ (20,187)	(4)%
SG&A expenses as a percentage of total revenues	10 %	9 %		

SG&A expenses during the six months ended December 31, 2023 decreased compared to the six months ended December 31, 2022 primarily due to \$16.8 million of compensation-related expense from the sale of Orbograph Ltd. (“Orbograph”) recorded in the six months ended December 31, 2022 and a decrease in allowance for credit losses of \$14.3 million. These decreases were partially offset by an increase in facility-related expenses of \$13.8 million.

**Impairment of Goodwill and Purchased Intangible Assets**

During the second quarter of fiscal 2024, we noted a significant deterioration of the long-term forecast for our PCB and Display businesses. As a result, we recorded a \$219.0 million goodwill and purchased intangible asset impairment charge for the PCB and Display reporting unit during the three and six months ended December 31, 2023. See Note 7 “Goodwill and Purchased Intangible Assets” to our Condensed Consolidated Financial Statements for further details.

**Restructuring Charges**

Restructuring charges were \$1.3 million and \$0.6 million for the three months ended December 31, 2023 and 2022, respectively. Restructuring charges were \$1.9 million and \$16.8 million for the six months ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the accrual for restructuring charges was \$3.2 million.

For additional information, refer to Note 19 “Restructuring Charges” to our Condensed Consolidated Financial Statements.

**Interest Expense and Other Expense (Income), Net**

Other expense (income), net is comprised primarily of realized gains or losses on sales of marketable securities, gains or losses from revaluations of certain foreign currency denominated assets and liabilities as well as foreign currency contracts, interest-related accruals (such as interest and penalty accruals related to our tax obligations) and interest income earned on our invested cash, cash equivalents and marketable securities.

(Dollar amounts in thousands)	Three Months Ended December 31,		Q2 FY24 vs. Q2 FY23	
	2023	2022		
Interest expense	\$ 74,202	\$ 74,280	\$ (78)	—%
Other expense (income), net	\$ (32,154)	\$ (18,074)	\$ (14,080)	(78)%
Interest expense as a percentage of total revenues	3%	2%		
Other expense (income), net as a percentage of total revenues	(1)%	< 1%		

Interest expense during the three months ended December 31, 2023 remained relatively flat compared to the three months ended December 31, 2022.

The change in other expense (income), net during the three months ended December 31, 2023 compared to the three months ended December 31, 2022 was primarily due to higher interest income of \$16.9 million compared to the prior fiscal year due to higher interest rates, partially offset by \$4.6 million net change in interest accruals related to uncertain tax positions.

(Dollar amounts in thousands)	Six Months Ended December 31,		Q2 FY24 YTD vs. Q2 FY23 YTD	
	2023	2022		
Interest expense	\$ 148,436	\$ 148,675	\$ (239)	—%
Other expense (income), net	\$ (58,893)	\$ (65,080)	\$ 6,187	10%
Interest expense as a percentage of total revenues	3%	3%		
Other expense (income), net as a percentage of total revenues	(1)%	(1)%		

Interest expense during the six months ended December 31, 2023 remained relatively flat compared to the six months ended December 31, 2022.

The change in other expense (income), net during the six months ended December 31, 2023 compared to the six months ended December 31, 2022 was primarily due to the following: a gain of \$29.7 million from the sale of our interest in Orbograph to a portfolio company of a private equity firm in the prior fiscal year and \$15.4 million net change in interest accruals related to uncertain tax positions, partially offset by higher interest income of \$39.5 million compared to the prior fiscal year due to higher interest rates.

#### Loss on Extinguishment of Debt

For the three months ended December 31, 2023 and December 31, 2022, we had no loss on extinguishment of debt. For the six months ended December 31, 2023, we had no loss on extinguishment of debt. For the six months ended December 31, 2022, loss on extinguishment of debt reflected a pre-tax net loss of \$13.3 million associated with the redemption of \$500.0 million of the Senior Notes due 2024, including associated redemption premiums, accrued interest and other fees and expenses.

#### Provision for Income Taxes

The following table provides details of income taxes:

(Dollar amounts in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Income before income taxes	\$ 691,270	\$ 1,142,973	\$ 1,542,981	\$ 2,213,001
Provision for income taxes	\$ 108,736	\$ 164,178	\$ 219,072	208,141
Effective tax rate	15.7%	14.4%	14.2%	9.4%

The effective tax rate during the three months ended December 31, 2023 was higher compared to the three months ended December 31, 2022 primarily due to a \$192.6 million goodwill impairment charge during the three months ended December 31, 2023, which is non-deductible for income tax purposes. Excluding the goodwill impairment charge, tax expense was lower as a percentage of income before taxes during the three months ended December 31, 2023 compared to the three months ended December 31, 2022 primarily due to the impact of the following item that occurred in the three months ended December 31, 2022:

- Tax expense increased by \$19.8 million relating to an internal restructuring.

The effective tax rate during the six months ended December 31, 2023 was higher compared to the six months ended December 31, 2022 primarily due to the impact of the following items:

- The \$192.6 million goodwill impairment charge during the six months ended December 31, 2023, which is non-deductible for income tax purposes;
- \$62 million less tax expense during the six months ended December 31, 2022 relating to a decrease in our deferred tax liabilities on unremitted earnings and unrealized gains;
- \$31.8 million less tax expense during the six months ended December 31, 2022 relating to a decrease in our unrecognized tax benefits from the settlement of income tax examinations; partially offset by
- \$19.8 million more tax expense during the six months ended December 31, 2022 relating to an internal restructuring;
- \$11.7 million more tax expense during the six months ended December 31, 2022 relating to the sale of an Orbotech Ltd. subsidiary; and
- Tax expense decreased by \$10.8 million during the six months ended December 31, 2023 relating to an increase in the proportion of our earnings generated in jurisdictions with tax rates lower than the U.S. statutory rate.

Our future effective income tax rate depends on various factors, such as tax legislation, the geographic composition of our pre-tax income, the amount of our pre-tax income as business activities fluctuate, non-deductible expenses incurred in connection with acquisitions, R&D credits as a percentage of aggregate pre-tax income, non-taxable or non-deductible increases or decreases in the assets held within our Executive Deferred Savings Plan, the tax effects of employee stock activity and the effectiveness of our tax planning strategies.

For discussions on tax examinations, assessments and certain related proceedings, see Note 13 “Income Taxes” to our Condensed Consolidated Financial Statements.

### Liquidity and Capital Resources

<b>(Dollar amounts in thousands)</b>	<b>As of December 31, 2023</b>	<b>As of June 30, 2023</b>
Cash and cash equivalents	\$ 1,665,054	\$ 1,927,865
Marketable securities	1,677,940	1,315,294
Total cash, cash equivalents and marketable securities	\$ 3,342,994	\$ 3,243,159
Percentage of total assets	23 %	23 %

  

<b>(In thousands)</b>	<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash flows:		
Net cash provided by operating activities	\$ 1,505,982	\$ 1,699,835
Net cash used in investing activities	(480,147)	(294,880)
Net cash used in financing activities	(1,296,080)	(1,416,247)
Effect of exchange rate changes on cash and cash equivalents	7,434	(2,139)
Net decrease in cash and cash equivalents	\$ (262,811)	\$ (13,431)

#### Cash, Cash Equivalents and Marketable Securities

As of December 31, 2023, our cash, cash equivalents and marketable securities totaled \$3.34 billion, which represents an increase of \$99.8 million from June 30, 2023. The increase is due to net cash provided by operating activities of \$1,506.0 million, partially offset by stock repurchases of \$893.2 million and cash used for payment of dividends and dividend equivalents of \$378.4 million.

As of December 31, 2023, \$1.11 billion of our \$3.34 billion of cash, cash equivalents and marketable securities were held by our foreign subsidiaries and branch offices. We currently intend to indefinitely reinvest \$103.8 million of the cash, cash equivalents and marketable securities held by our foreign subsidiaries for which we assert that earnings are permanently reinvested. If, however, a portion of these funds were to be repatriated to the United States, we would be required to accrue and pay state and foreign taxes of approximately 1% - 22% of the funds repatriated. The amount of taxes due will depend on the amount and manner of the repatriation, as well as the location from which the funds are repatriated. We have accrued state and foreign tax on the remaining cash of \$1.01 billion of the \$1.11 billion held by our foreign subsidiaries and branch offices. As such, these funds can be returned to the U.S. without accruing any additional U.S. tax expense.

Cash Dividends

During the three months ended December 31, 2023, our Board of Directors declared a regular quarterly cash dividend of \$1.45 per share on our outstanding common stock, which was paid on December 1, 2023 to our stockholders of record as of the close of business on November 15, 2023. During the same period in fiscal year ended June 30, 2023, our Board of Directors declared and paid a regular quarterly cash dividend of \$1.30 per share on our outstanding common stock. The total amount of regular quarterly cash dividends and dividend equivalents paid during the three months ended December 31, 2023 and 2022 was \$196.9 million and \$184.2 million, respectively. The total amount of regular quarterly cash dividends and dividend equivalents paid during the six months ended December 31, 2023 and 2022 was \$378.4 million and \$372.2 million, respectively. The amount of accrued dividend equivalents payable for regular quarterly cash dividends on unvested restricted stock units (“RSU”) with dividend equivalent rights as of December 31, 2023 and June 30, 2023 was \$11.8 million and \$12.2 million, respectively. These amounts will be paid upon vesting of the underlying unvested RSUs as described in Note 10 “Equity, Long-term Incentive Compensation Plans and Non-Controlling Interest” to our Condensed Consolidated Financial Statements.

Stock Repurchases

The shares of common stock repurchased under our stock repurchase program have reduced our basic and diluted weighted-average shares outstanding for the six months ended December 31, 2023 and 2022. The stock repurchase program is intended, in part, to mitigate the potential dilutive impact related to our equity incentive plans and shares issued in connection with our Employee Stock Purchase Program as well as to return excess cash to our stockholders.

Cash Flows Provided by Operating Activities

Historically, we have financed our liquidity requirements through cash generated from our operations. Net cash provided by operating activities during the six months ended December 31, 2023 was \$1.51 billion compared to \$1.70 billion during the six months ended December 31, 2022. This decrease of \$193.9 million resulted primarily from the following:

- A decrease in collections of approximately \$285 million; and
- An increase in income tax payments of approximately \$211 million; and
- An increase in debt interest payment of approximately \$64 million; partially offset by
- A decrease in accounts payable payments of approximately \$338 million; and
- An increase in interest income of approximately \$40 million.

Cash Flows Used in Investing Activities

Net cash used in investing activities during the six months ended December 31, 2023 was \$480.1 million compared to \$294.9 million during the six months ended December 31, 2022. This increase in cash used was mainly due to an increase in net purchases of available-for-sale and trading securities of \$174.3 million and a decrease in proceeds from the sale of a business of \$75.4 million, partially offset by a decrease in cash used in business acquisitions of \$27.1 million and a decrease in capital expenditures of \$33.1 million.

Cash Flows Used in Financing Activities

Net cash used in financing activities during the six months ended December 31, 2023 was \$1.30 billion compared to net cash used in financing activities of \$1.42 billion during the six months ended December 31, 2022. This decrease was mainly due to decreases in debt-related payments of \$868.8 million, partially offset by an increase in cash used for common stock repurchases of \$448.4 million and proceeds received from our revolving credit facility of \$300.0 million in the quarter ended September 30, 2022.

Senior Notes

As of December 31, 2023, we had an aggregate principal amount of senior, unsecured notes totaling \$5.95 billion. For additional information on these senior notes, see Note 8 “Debt” to our Condensed Consolidated Financial Statements. As of December 31, 2023, we were in compliance with all of our covenants under the Indenture associated with the Senior Notes.



### Revolving Credit Facility

We have in place a Credit Agreement (“Credit Agreement”) for an unsecured Revolving Credit Facility (“Revolving Credit Facility”) with a maturity date of June 8, 2027 that allows us to borrow up to \$1.50 billion. As of December 31, 2023, we had no outstanding borrowings under the Revolving Credit Facility. For additional information on the Revolving Credit Facility, see Note 8 “Debt” to our Condensed Consolidated Financial Statements. We were in compliance with all covenants under the Credit Agreement as of December 31, 2023 (the leverage ratio was 1.39 to 1.00, compared to a maximum leverage ratio of 3.50 to 1.00 on a quarterly basis covering the trailing four consecutive fiscal quarters for each fiscal quarter). Considering our current liquidity position, short-term financial forecasts and ability to prepay the Revolving Credit Facility, if necessary, we expect to continue to be in compliance with our financial covenants at the end of our fiscal year ending June 30, 2024.

### Material Cash Requirements

While demand for our products remains strong and we continue to invest in technological innovation, the recent slowdown in consumer demand and expectations of a slowing global economy are having an impact on semiconductor demand. As a result, customers are postponing capacity expansion plans and setting lower capital expenditure budgets. Accordingly, we have seen a decrease in our estimate of our significant purchase commitments. For additional details regarding our debt and other material cash commitments, refer to Note 8 “Debt” and Note 15 “Commitments and Contingencies,” respectively, to our Condensed Consolidated Financial Statements. For additional details regarding our material cash requirements, refer to “Material Cash Requirements” in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report Form on 10-K for the fiscal year ended June 30, 2023.

### Working Capital

Working capital was \$4.18 billion as of December 31, 2023, which represents a decrease of \$451.5 million compared to our working capital of \$4.63 billion as of June 30, 2023. As of December 31, 2023, our principal sources of liquidity consisted of \$3.34 billion of cash, cash equivalents, marketable securities and availability under our Revolving Credit Facility. Our liquidity may be affected by many factors, some of which are based on the normal ongoing operations of the business, spending for business acquisitions, and other factors such as uncertainty in the global and regional economies and the semiconductor, semiconductor-related and electronic device industries. Although cash requirements will fluctuate based on the timing and extent of these factors, we believe that cash generated from operations, together with the liquidity provided by existing cash and cash equivalents balances, marketable securities and our \$1.50 billion Revolving Credit Facility, will be sufficient to satisfy our liquidity requirements associated with working capital needs, capital expenditures, cash dividends, stock repurchases and other contractual obligations, including repayment of outstanding debt, for at least the next 12 months.

Our credit ratings as of December 31, 2023 are summarized below:

<u>Rating Agency</u>	<u>Rating</u>
Fitch Inc.	A
Moody’s Investors Service	A2
S&P Global Ratings	A-

In December 2023, Fitch upgraded our senior unsecured credit rating from A- to A. Factors that can affect our credit ratings include changes in our operating performance, the economic environment, conditions in the semiconductor and semiconductor equipment industries, our financial position, material acquisitions and changes in our business strategy.

### **Off-Balance Sheet Arrangements**

As of December 31, 2023, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, that have or are reasonably likely to have a current or future effect on our financial position, changes in financial condition, revenues and expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. Refer to Note 15 “Commitments and Contingencies” to our Condensed Consolidated Financial Statements for information related to indemnification obligations.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in interest rates, foreign currency exchange rates and marketable equity security prices. To mitigate these risks, we utilize derivative financial instruments such as foreign currency hedges. All of the potential changes noted below are based on sensitivity analyses performed on our financial position as of December 31, 2023. Actual results may differ materially.

As of December 31, 2023, we had an investment portfolio of fixed income securities of \$1.53 billion. These securities, as with all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. If market interest rates were to increase immediately and uniformly by 100 bps from levels as of December 31, 2023, the fair value of the portfolio would have declined by \$15.2 million.

The fair market value of our long-term fixed interest rate Senior Notes is subject to interest rate risk. Generally, the fair market value of fixed interest rate notes will increase as market interest rates fall and decrease as market interest rates rise. As of December 31, 2023, our fixed rate Senior Notes had a fair value and book value of \$5.86 billion and \$5.89 billion, respectively, due in various fiscal years ranging from 2025 to 2063.

As of December 31, 2023, we had outstanding no borrowings under our \$1.50 billion Revolving Credit Facility. Each Term Secured Overnight Financing Rate (“SOFR”) Loan will bear interest at a rate per annum equal to the applicable Adjusted Term SOFR, which is equal to the applicable Term SOFR plus 10 bps that shall not be less than zero, plus a spread ranging from 75 bps to 125 bps, as determined by the Company’s credit ratings at the time. The fair value of the borrowings under the Revolving Credit Facility is subject to interest rate and credit risk due to the timing of the rate resets and changes in the market’s assessment of risk of default, respectively. Pursuant to the terms of the Credit Agreement, we are also obligated to pay an annual commitment fee on the daily undrawn balance of the Revolving Credit Facility at a rate that ranges from 4.5 bps to 12.5 bps, depending upon our then-prevailing credit rating. As of December 31, 2023, the annual commitment fee was 6.0 bps. Additionally, as of December 31, 2023, if our credit ratings were downgraded to be below investment grade, the maximum potential increase to our annual commitment fee for the Revolving Credit Facility, using the highest range of the ranges discussed above, is estimated to be approximately \$1 million.

Our equity investment in a publicly traded company is subject to market price risk, which we typically do not attempt to reduce or eliminate through hedging activities. As of December 31, 2023, the fair value of our investment in the marketable equity security, which began publicly trading on the Tokyo Stock Exchange on April 5, 2021, was \$15.0 million. Assuming a decline of 50% in market prices, the aggregate value of our investment in the marketable equity security could decrease by approximately \$8 million, based on the value as of December 31, 2023.

See Note 5 “Marketable Securities” to our Condensed Consolidated Financial Statements in Part I, Item 1 and “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q for additional details and risks that may affect the value of the investments in our portfolio as of December 31, 2023.

As of December 31, 2023, we had net forward and option contracts to buy \$394.9 million in foreign currency in order to hedge certain currency exposures (see Note 16 “Derivative Instruments and Hedging Activities” to our Condensed Consolidated Financial Statements for additional details). If we had entered into these contracts on December 31, 2023, the U.S. dollar equivalent would have been \$411.9 million. A 10% adverse move in all currency exchange rates affecting the contracts would decrease the fair value of the contracts by \$133.4 million. However, if this occurred, the fair value of the underlying exposures hedged by the contracts would increase by a similar amount. Accordingly, we believe that, as a result of the hedging of certain of our foreign currency exposure, changes in most relevant foreign currency exchange rates should have no material impact on our results of operations or cash flows.

## ITEM 4 CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures and Related CEO and CFO Certifications

#### Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (“Disclosure Controls”) as of the end of the period covered by this Quarterly Report on Form 10-Q (this “Report”) required by Exchange Act Rules 13a-15(b) or 15d-15(b). The Disclosure Controls evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Based on this evaluation, the CEO and CFO have concluded that, as of the end of the period covered by this Report, our Disclosure Controls were effective at a reasonable assurance level.

Attached as exhibits to this Report are certifications of the CEO and CFO, that are required in accordance with Rule 13a-14 of the Exchange Act. This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

#### Definition of Disclosure Controls

Disclosure Controls are controls and procedures designed to reasonably ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, such as this Report, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms. Disclosure Controls are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Our Disclosure Controls include components of our internal control over financial reporting, which consists of control processes designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the United States of America. To the extent that components of our internal control over financial reporting are included within our Disclosure Controls, they are included in the scope of our annual controls evaluation.

#### Limitations on the Effectiveness of Disclosure Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls or internal control over financial reporting will prevent all error and fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

#### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the most recent fiscal quarter covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The information set forth above under Note 14 “Litigation and Other Legal Matters” to our Condensed Consolidated Financial Statements in Item 1 of Part I is incorporated herein by reference.

### ITEM 1A. RISK FACTORS

A description of factors that could materially affect our business, financial condition or operating results is provided below.

#### Risk Factors Summary

The following summarizes the most material risks that make an investment in our securities risky or speculative. If any of the following risks occur or persist, our business, financial condition and results of operations could be materially harmed and the price of our common stock could significantly decline.

##### Commercial, Operational, Financial and Regulatory Risks

- Our vulnerability to a weakening in the condition of the financial markets and the global economy;
- Risks related to our international operations, such as tariffs or similar trade impairments, and longer payment cycles or collection difficulties associated with international sales;
- Laws, rules, regulations or other orders that may limit our ability to sell our products or provide service on products previously sold to certain customers;
- IP disputes can be expensive and could result in an inability to sell our products in certain jurisdictions;
- Increasing attention to ESG matters, including any targets or other ESG initiatives, could result in additional costs or risks or adversely impact our business;
- We may be unable to attract, onboard and retain key personnel;
- Reliance on third-party service providers could result in disruptions if such third parties cannot perform services for us in a timely manner;
- Cybersecurity incidents could result in the loss of valuable information or assets or subject us to costly disruption, remediation, regulatory investigations, litigation and reputational damage;
- We may face disruptions if we cannot access critical information in a timely manner due to system failures;
- We may not find suitable acquisition candidates or fail to successfully integrate our acquisitions;
- Natural disasters, such as earthquakes, health crises such as the COVID-19 pandemic, acts of terrorism or war or other catastrophic events, and the lack of insurance thereof, could significantly disrupt our operations, including affecting the global supply chain, for lengthy periods of time;
- We are exposed to fluctuations in foreign currency exchange rates, interest rates and the market values of our portfolio investments;
- We are subject to tax and regulatory compliance audits;
- Economic, political or other conditions in the jurisdictions where we earn profits can impact the tax laws and taxes we pay in those jurisdictions, subsequently impacting our effective tax rate, cash flows and results of operations;
- Increased compliance costs with federal securities laws, rules, and regulations, as well as NASDAQ requirements; and
- Changes in accounting pronouncements and laws could have unforeseen effects.

##### Industry Risks

- We may not be able to keep pace with trends and technological changes in the industries in which we operate;
- We have a highly concentrated customer base; and
- Prevailing local and global economic conditions may negatively affect the purchasing decisions of our customers.

##### Business Model and Capital Structure Risks

- We may not be able to maintain our technology advantage or protect our proprietary rights;
- We may not be able to compete with new products introduced by our competitors;
- We may not receive components necessary to build our products in a timely manner;

- We may fail to operate our business in a manner consistent with our business plan;
- We may fail to comply with the covenants in our Revolving Credit Facility (defined below) and Senior Notes (defined below), which could impair our ability to borrow needed funds, or require us to repay debt sooner than we planned;
- We may not have sufficient financial resources to repay our indebtedness when it becomes due, and our leveraged capital structure may divert resources from operations and other corporate uses;
- We may not be able to declare cash dividends at all or in any particular amounts;
- Risks related to our commercial terms and conditions, including our indemnification of third parties, as well as the performance of our products;
- Our government funding for R&D is subject to termination, audit and any further penalties;
- We may incur significant restructuring charges or other asset impairment charges or inventory write-offs; and
- We are subject to risks related to receivables factoring arrangements, and compliance risk of certain settlement agreements with the government.

For a more complete discussion of the material risks facing our business, see below.

### **Commercial, Operational, Financial and Regulatory Risks**

*We are exposed to risks associated with a weakening in the condition of the financial markets and the global economy.*

Demand for our products is ultimately driven by the global demand for electronic devices by consumers and businesses. Economic uncertainty frequently leads to reduced consumer and business spending, and can cause our customers to decrease, cancel or delay their equipment and service orders. The tightening of credit markets, rising interest rates and concerns regarding the availability of credit can make it more difficult for our customers to raise capital, whether debt or equity, to finance their purchases of capital equipment, including the products we sell. Reduced demand, combined with delays in our customers' ability to obtain financing (or the unavailability of such financing), has, at times in the past, adversely affected our product and service sales and revenues and, therefore, has harmed our business and operating results, and our operating results and financial condition may again be adversely impacted if economic conditions decline from their current levels.

In addition, a decline in the condition of the global financial markets could adversely impact the market values or liquidity of our investments. Our investment portfolio includes corporate and government securities, money market funds and other types of debt and equity investments. Although we believe our portfolio continues to be comprised of sound investments due to the quality and (where applicable) credit ratings of such investments, a decline in the capital and financial markets or rising interest rates would adversely impact the market value of our investments and their liquidity. If the market value of such investments were to decline, or if we were to have to sell some of our investments under illiquid market conditions, we may be required to recognize an impairment charge on such investments or a loss on such sales, either of which could have an adverse effect on our financial condition and operating results.

If we are unable to timely and appropriately adapt to changes resulting from difficult macroeconomic conditions, our business, financial condition or results of operations may be materially and adversely affected.

*A majority of our annual revenues are derived from outside the U.S., and we maintain significant operations outside the U.S. We are exposed to numerous risks as a result of the international nature of our business and operations. We expect these conditions to continue in the foreseeable future.*

Managing global operations and sites located throughout the world presents a number of challenges, including, but not limited to:

- Global trade issues and changes in and uncertainties with respect to trade policies, including the ability to obtain required import and export licenses, trade sanctions, tariffs and international trade disputes;
- Political and social attitudes, laws, rules, regulations and policies within countries that favor domestic companies over non-domestic companies, including customer- or government-supported efforts to promote the development and growth of local competitors;
- Ineffective or inadequate legal protection of IP rights in certain countries;
- Managing cultural diversity and organizational alignment;
- Exposure to the unique characteristics of each region in the global market, which can cause capital equipment investment patterns to vary significantly from period to period;
- Periodic local or international economic downturns;

- Potential adverse tax consequences, including withholding tax rules that may limit the repatriation of our earnings, and higher effective income tax rates in foreign countries where we do business;
- Compliance with customs regulations in the countries in which we do business;
- Existing and potentially new tariffs or other trade restrictions and barriers (including those applied to our products, spare parts and services, or to parts and supplies that we purchase);
- Political instability, geopolitical tensions, natural disasters, legal or regulatory changes, acts of war such as the wars between Russia and Ukraine or Israel and Hamas and further escalation thereof, or terrorism in regions where we, our customers or our suppliers have operations or where we or they do business;
- Rising inflation and fluctuations in interest and currency exchange rates may adversely impact our ability to compete on price with local providers or the value of revenues we generate from our international business. Although we attempt to manage some of our near-term currency risks through the use of hedging instruments, there can be no assurance that such efforts will be adequate;
- Our ability to receive prepayments for certain of our products and services sold in certain jurisdictions. These prepayments increase our cash flows for the quarter in which they are received. If our practice of requiring prepayments in those jurisdictions changes or deteriorates, our cash flows would be harmed;
- Required refunds for customer prepayments resulting from our inability to ship to certain jurisdictions, especially for customers in China, as described in more detail below. If we are required to make such refunds, our cash flows could be negatively affected;
- Longer payment cycles and difficulties in collecting accounts receivable outside of the U.S.;
- Difficulties in managing foreign distributors (including monitoring and ensuring our distributors' compliance with applicable laws); and
- Inadequate protection or enforcement of our IP and other legal rights in foreign jurisdictions.

Any of the factors above could have a significant negative impact on our business and results of operations.

***Over the past several years, there have been a variety of rules and regulations issued by BIS that have had an impact on our ability to sell certain products and provide certain services to certain customers in China. These rules and regulations may significantly harm our business, results of operations, financial condition and cash flows in future periods, unless we are able to obtain required licenses.***

We maintain significant operations outside the United States, and existing and evolving trade restrictions imposed by the U.S. and other governments could significantly disrupt our global operations. The U.S. government has tightened export controls for commodities, software, and technology (collectively, "items") destined to China over the past several years. These controls have included, for example, restrictions on exporting certain items to military end users and for military end uses, the addition of numerous entities to the U.S. Entity List (a list of parties that are generally ineligible to receive U.S.-regulated items without prior licensing from BIS), and the creation of new licensing requirements that apply to the export, re-export, and transfer of certain foreign-made items that are the direct product of U.S. origin technology or produced by a plant or major component of a plant that itself is the direct product of U.S. origin technology and which are destined to Huawei or its affiliates and other specified companies on the U.S. Entity List.

In October 2022, BIS published the 2022 BIS Rules that introduce restrictions related to semiconductor, semiconductor manufacturing, supercomputer, and advanced computing items and end uses. These rules impose restrictions on our ability to sell, ship and support certain equipment and otherwise conduct business with certain counterparties, primarily including China-based companies involved in advanced semiconductor manufacturing. Further, the 2022 BIS Rules impose restrictions on the activities of U.S. persons with respect to certain items that are not subject to the Export Administration Regulations ("EAR"), which departs from BIS' typical practice of controlling items that are subject to the EAR, and could further restrict our ability to conduct business in China. In October 2023, BIS issued the 2023 BIS Rules designed to update export controls on advanced computing semiconductors and semiconductor manufacturing equipment, as well as items that support supercomputing applications and end-uses, to certain D1, D4 and/or D5 countries in Supplement No. 1 of Part 740 of the U.S. Export Administration Regulations, including China. The 2023 BIS Rules adjust the parameters included in the 2022 BIS Rules that determine whether an advanced computing chip is restricted and impose new measures to address risks of circumvention of the controls established by the 2022 BIS Rules. The 2023 BIS Rules are very complex and, in January 2024, KLA, among other companies, submitted comments to BIS on the 2023 BIS Rules. BIS could revise or expand the 2023 BIS Rules in response to public comments. Likewise, BIS may issue guidance clarifying the scope of the rules. Such revisions, expansions or guidance could change the impact of the rules for our business. Commerce has also added, and may continue to add, China-based entities to the U.S. Entity List, imposing export restrictions to entities that could disrupt or prevent our product shipment, and further disrupt our revenue recognition and business operations, and our ability to support our customers in China.

These rules and regulations may significantly harm our business unless we are able to obtain required licenses. We will continue to apply for export licenses, when required, in an effort to avoid disruption to our and our customers' operations, but there can be no assurance that export licenses applied for by either us or our customers, now or in the future, will be granted. To the extent BIS does issue licenses to us or to our customers, such licenses may have a short duration or require us to satisfy various conditions. If pending and future export license applications are not granted, or additional restrictions are imposed, or if regulators adopt new interpretations of existing regulations, the potential impact on us could be material by disrupting our supply chain and product shipment, impairing our ability to complete product development in a timely manner, or our ability to support existing customers of covered products or supply customers of covered products outside the impacted regions, and requiring us to transition certain operations out of one or more of the identified countries. Failure to obtain export licenses could also harm our RPO, requiring us to return substantial deposits received from customers in China for purchase orders, and/or further limiting our ability to meet our contractual obligations and sell our products or provide services to our customers in China.

We may lose revenue in future periods related to anticipated sales to customers in China unless we are able to replace their orders with other customer orders for which either a license has been obtained or is not required. Our revenue from sales of products and provision of services to customers in China was 27%, 29% and 26% for fiscal years 2023, 2022 and 2021, respectively.

Additionally, the Chinese government has adopted, and may further adopt, new regulations, in response to U.S. government actions, which could adversely affect our ability to do business in China. We have controls and procedures designed to maintain compliance with U.S. and other applicable export control laws and regulations; however, we cannot guarantee that such controls and procedures will be successful in preventing violations or allegations of violations, of increasingly complex and often conflicting regulations worldwide. The complexity and evolving nature of the rules and regulations, and the fact that Commerce or other relevant regulators might adopt interpretations of regulations that differ from those of the Company, increase our risk of non-compliance.

Any violations by us of applicable export laws and regulations could result in significant civil and criminal penalties, including fines and criminal proceedings against the Company or responsible employees, a denial of export privileges, suspension or debarment. Our employees, customers, suppliers or other third parties with whom we work may also engage in conduct for which the Company might be held responsible. We could face significant compliance, litigation or settlement costs and diversion of management's attention from our business as a result. Further, the Company may be subject to negative publicity or reputational harm, resulting in reduced demand for our products, employee attrition and other negative impact on our business, results of operations, financial condition and cash flows.

***We might be involved in claims or disputes related to IP or other confidential information that may be costly to resolve, prevent us from selling or using the challenged technology and seriously harm our operating results and financial condition.***

As is typical in the industries in which we serve, from time to time we have received communications from other parties asserting the existence of patent rights, copyrights, trademark rights or other IP rights which they believe cover certain of our products, processes, technologies or information. In addition, we occasionally receive notification from customers who believe that we owe them indemnification or other obligations related to IP claims made against such customers by third parties. With respect to IP infringement disputes, our customary practice is to evaluate such infringement assertions and to consider whether to seek licenses where appropriate. However, there can be no assurance that licenses will be granted or, if granted, will be on acceptable terms or that costly litigation or other administrative proceedings will not occur. The inability to obtain necessary licenses or other rights on reasonable terms could seriously harm our results of operations and financial condition. Furthermore, we may potentially be subject to claims by customers, suppliers or other business partners, or by governmental law enforcement agencies, related to our receipt, distribution and/or use of third-party IP or confidential information. Legal proceedings and claims, regardless of their merit, and associated internal investigations with respect to IP or confidential information disputes are often expensive to prosecute, defend or conduct; may divert management's attention and other Company resources; and/or may result in restrictions on our ability to sell our products, settlements on significantly adverse terms or adverse judgments for damages, injunctive relief, penalties and fines, any of which could have a significant negative effect on our business, results of operations and financial condition. There can be no assurance regarding the outcome of future legal proceedings, claims or investigations. The instigation of legal proceedings or claims, our inability to favorably resolve or settle such proceedings or claims, or the determination of any adverse findings against us or any of our employees in connection with such proceedings or claims could materially and adversely affect our business, financial condition and results of operations, as well as our business reputation.

***We are exposed to various risks related to the legal, regulatory and tax environments in which we perform our operations and conduct our business.***

We are subject to various risks related to compliance with laws, rules and regulations enacted by legislative bodies and/or regulatory agencies in the countries in which we operate and with which we must comply, including environmental, safety, antitrust, anti-corruption/anti-bribery, unclaimed property, economic sanctions and export control regulations. We have policies and procedures designed to promote compliance with applicable laws, but there can be no assurance our policies and procedures will prove completely effective in ensuring compliance by all our personnel, business partners and representatives, for whose misconduct we may under some circumstances be legally responsible. Our failure or inability to comply with existing or future laws, rules or regulations in the countries in which we operate could result in government investigations and/or enforcement actions, which could result in significant financial cost (including investigation expenses, defense costs, assessments and criminal or civil penalties), reputational harm and other consequences that may adversely affect our operating results, financial condition and ability to conduct our business. For instance, in response to the war between Russia and Ukraine, the U.S., European Union and other countries have imposed sanctions against Russia, Belarus and certain other regions, entities and individuals, and may impose additional sanctions, export controls or other measures. The imposition of sanctions, export controls and other measures could adversely impact our business including preventing us from performing existing contracts, recognizing revenue, pursuing new business opportunities or receiving payment for products already supplied or services already performed with customers.

Additionally, we are subject to various domestic and international environmental laws and regulations, including those that control and restrict the use, transportation, emission, discharge, storage, and disposal of certain chemicals, gases and other substances. Any failure to comply with applicable environmental laws, regulations or requirements may subject us to a range of consequences, including fines, suspension of certain of our business activities, limitations on our ability to sell our products, obligations to remediate environmental contamination, and criminal and civil liabilities or other sanctions. Some of these laws impose strict liability for certain releases, which may require us to incur costs regardless of fault or the legality of actions at the time of release. In addition, changes in environmental laws and regulations (including any relating to climate change and GHG emissions) could require us, or others in our value chain, to install additional equipment, alter operations to incorporate new technologies or processes, or revise process inputs, among other things, which may cause us to incur significant costs or otherwise adversely impact our business performance. Various agencies and governmental bodies have expressed particular interest in promulgating rules relating to climate change. For example, in March 2022, the SEC published a proposed rule that would require companies to provide significantly expanded climate-related disclosures in their Form 10-K, which may require us to incur significant additional costs to comply and impose increased oversight obligations on our management and Board of Directors. We also face increasing complexity in our manufacturing, product design and procurement operations as we adjust to new and prospective requirements relating to the composition of our products, including restrictions on lead and other substances and requirements to track the sources, production methods, or provenance of certain metals and other materials. The cost of complying, or failing to comply, with these and other regulatory requirements or contractual obligations could adversely affect our operating results, financial condition and ability to conduct our business.

From time to time, we may receive inquiries, subpoenas, investigative demands or audit notices from governmental or regulatory bodies, or we may make voluntary disclosures, related to legal, regulatory or tax compliance matters, and these matters may result in significant financial cost (including investigation expenses, defense costs, assessments and criminal or civil penalties), reputational harm and other consequences that could materially and adversely affect our operating results and financial condition. In addition, we may be subject to new or amended laws, including laws that conflict with other applicable laws, which may impose compliance challenges and create the risk of non-compliance.

In addition, we may from time to time be involved in legal proceedings or claims regarding employment, immigration, contracts, product performance, product liability, antitrust, environmental regulations, securities, unfair competition and other matters. These legal proceedings and claims, regardless of their merit, may be time-consuming and expensive to prosecute or defend, divert management's attention and resources, and/or inhibit our ability to sell our products. There can be no assurance regarding the outcome of current or future legal proceedings or claims, which could adversely affect our operating results, financial condition and ability to operate our business.

***Increasing attention to ESG matters, including any targets or other ESG initiatives, could result in additional costs or risks or adversely impact our business.***

Certain investors, capital providers, shareholder advocacy groups, other market participants, customers and other stakeholder groups have focused increasingly on companies' ESG initiatives, including those regarding climate change, human rights and inclusion and diversity, among others. This may result in increased costs, changes in demand for certain types of products, enhanced compliance or disclosure obligations and costs, or other adverse impacts on our business, financial condition or results of operations.



From time to time, we create and publish voluntary disclosures regarding ESG matters. Identification, assessment, and disclosure of such matters is complex. Many of the statements in such voluntary disclosures are based on our expectations and assumptions, which may require substantial discretion and forecasts about costs and future circumstances. Additionally, expectations regarding companies' management of ESG matters continues to evolve rapidly, in many instances due to factors that are out of our control. In addition, organizations that provide information to investors on corporate governance and related matters have developed rating processes on evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings could lead to increased negative investor sentiment toward us, our customers, or our industry, which could negatively impact our share price as well as our access to and cost of capital. To the extent ESG matters negatively impact our reputation, it may also impede our ability to compete as effectively to recruit or retain employees, which may adversely affect our operations.

Although we may participate in various voluntary frameworks and certification programs, or establish voluntary ESG initiatives, to improve the ESG profile of our operations and product offerings, we cannot guarantee that such efforts will have the intended results. For example, in August 2022, we announced new targets to reduce our Scope 1 and 2 emissions by 50% from our 2021 baseline to 2030 and achieve net zero Scope 1 and 2 emissions by 2050. Our estimates concerning the timing and cost of implementing this and other goals are subject to risks and uncertainties, some of which are outside of our control. Any failure, or perceived failure, to successfully achieve our voluntary goals, or the manner in which we achieve some or any portion of our goals, could adversely impact our reputation or, to the extent related to sustainability-linked capital sources, financial condition and results of operations. Our ESG efforts may also include the adoption, or expansion, of certain ESG practices or policies, which may require us to expend additional resources to implement or to forego certain business opportunities to the extent others in our value chain do not meet pertinent requirements of such policies. By contrast, any failure, or perceived failure, to conform to such policies could have an adverse impact on our reputation and business activities. Our performance may be subject to greater scrutiny as a result of our announcement of any goals or policies and the publication of our performance against the same. Moreover, despite the voluntary nature of such efforts, we may receive pressure from external sources, such as lenders, investors or other groups, to adopt more aggressive climate or other ESG-related initiatives; however, we may not agree that such initiatives will be appropriate for our business, and we may not be able to implement such initiatives because of potential costs or technical or operational obstacles. In addition, we note that certain ESG matters are becoming less "voluntary" as regulators, including the SEC, begin proposing and adopting regulations regarding ESG matters, including, but not limited to, climate change-related matters. To the extent we are subject to increased regulatory requirements, we could become subject to increased compliance-related costs and risks, including potential enforcement and litigation. Such ESG matters may also impact our suppliers and customers, which may compound or cause new impacts on our business, financial condition or results of operations.

***We depend on key personnel to manage our business effectively, and if we are unable to attract, retain and motivate our key employees, our sales and product development could be harmed.***

Our employees are vital to our success, and our key management, engineering and other employees are difficult to replace. We generally do not have employment contracts with our key employees. Further, we do not maintain key person life insurance for any of our employees. The expansion of high technology companies worldwide and the elevated demand for talent from the growth in the demand for semiconductors following the onset of the COVID-19 pandemic has increased demand and competition for qualified personnel. Competition for engineering and other technical personnel in many areas of the world in which we operate is especially intense due to the proliferation of technology companies worldwide. Our competitors have targeted individuals in our organization who have desired skills and experience. In addition, current or future immigration laws, policies or regulations may limit our ability to attract, hire and retain qualified personnel. If we are unable to attract, onboard and retain key personnel, or if we are not able to attract, assimilate, onboard and retain additional highly qualified employees to meet our current and future needs, our business and operations could be harmed.

***We outsource a number of services to third-party service providers, which decreases our control over the performance of these functions. Disruptions or delays at our third-party service providers could adversely impact our operations.***

We outsource a number of services, including our transportation, information systems management and logistics management of spare parts and certain accounting and procurement functions, among others, to domestic and overseas third-party service providers. While outsourcing arrangements may lower our cost of operations, they also reduce our direct control over the services rendered. It is uncertain what effect such diminished control will have on the quality or quantity of products delivered or services rendered, on our ability to quickly respond to changing market conditions, or on our ability to ensure compliance with all applicable domestic and foreign laws and regulations. In addition, many of these outsourced service providers, including certain hosted software applications that we use for confidential data storage, may employ cloud computing technology and other systems. These providers may be susceptible to "cyber incidents," such as software vulnerabilities, cyber-attacks aimed at theft of sensitive data, inadvertent cyber-security compromises, attacks aimed at operational disruption at the target or third party service providers, all of which are outside of our control. If we do not

effectively develop and manage our outsourcing strategies, if required export and other governmental approvals are not timely obtained, if our third-party service providers pass on the cost of inflation to us or do not perform as anticipated, or do not adequately maintain operational resilience or fail to protect our data from cyber-related security breaches, or if there are delays or difficulties in enhancing business processes, we may experience operational difficulties (such as limitations on our ability to ship products), increased costs, manufacturing or service interruptions or delays, loss of IP rights or other sensitive data, quality and compliance issues, and challenges in managing our product inventory or recording and reporting financial and management information, any of which could materially and adversely affect our business, financial condition and results of operations.

***We depend on secure information technology for our business and are exposed to risks related to cybersecurity threats and cyber incidents affecting our, our customers', suppliers' and other service providers' systems and networks.***

In the conduct of our business, we collect, use, transmit and store data on information systems and networks, including systems and networks owned and maintained by KLA and/or by third-party providers. This data includes confidential information, transactional information and IP belonging to us, our customers and our business partners, as well as personally identifiable information of individuals. We also integrate and use third-party services and products, including software, in our systems, networks and operations. Despite network security and other measures, our, our customers', suppliers' and other third-party providers' information systems and networks are susceptible to computer viruses, ransomware, cyber-related security breaches and similar disruptions from unauthorized intrusions, tampering, misuse or criminal acts made directly against our systems or networks, or through our third-party providers or the supply chain, including phishing, or other events or developments that we may be unable to anticipate or fail to mitigate, including, but not limited to, financial fraud, including check fraud, vulnerabilities or misconfigurations in information systems, networks, software or hardware. In addition, insider actors, malicious or otherwise, could misappropriate our, our customers' or business partners' data, tamper with our products or otherwise cause disruptions to our business operations. We regularly experience cyber-attacks and events and on occasion incidents involving unauthorized access to systems and data that may materially impact our operations or financial results. Our security measures may also be breached due to employee errors, malfeasance, or otherwise. Third parties may also attempt to influence employees, users, suppliers or customers to disclose sensitive information in order to gain access to our, our customers' or business partners' data. Because the techniques used to obtain unauthorized access to the information systems change frequently and increasingly leverage on technologies such as AI, may not be recognized until launched against a target and are increasingly designed to circumvent controls, avoid detection and remove or obfuscate forensic artifacts, we may be unable to anticipate these techniques, implement adequate preventative measures, or adequately identify, investigate and recover from cybersecurity incidents. AI may be used to generate cyberattacks as AI capabilities improve and are increasingly adopted. These attacks crafted with AI tools could directly attack information systems with greater speed and/or efficiency than a human threat actor or create more effective phishing emails. In addition, the threat could be introduced from the result of our customers and business partners incorporating the output of an AI tool that includes a threat, such as introducing malicious code by incorporating AI generated source code.

Any cybersecurity incident or occurrence could impact our business directly, or indirectly by impacting third parties in the supply chain, in many potential ways: disruptions to operations; misappropriation, corruption or theft of confidential information, including IP and other critical data, of KLA, our customers or other business partners; misappropriation of funds and Company assets; reduced value of our investments in research, development and engineering; litigation with, or payment of damages to, third parties; reputational damage; costs to comply with regulatory inquiries or actions; data privacy issues; costs to rebuild our information systems and networks; and increased cybersecurity protection and remediation costs. Cybersecurity incidents affecting our customers could result in substantial delays in our ability to ship to those customers or install our products, which could result in delays in revenue recognition or the cancellation of orders, and cybersecurity incidents affecting our suppliers could result in substantial delays in our ability to obtain necessary components for our products from those suppliers, which could hamper our ability to ship our products to our customers, harming our results of operations. For example, in February 2023, one of our suppliers experienced a ransomware event that caused delays in its manufacturing operations, resulting in its shipment delays to us for components we ordered, which in turn caused delays in some of our outbound shipments during the quarter. Similar events could cause disruptions in the future.

We carry insurance that provides limited protection against the potential losses arising from a cybersecurity incident, but it will not likely cover all such losses, and the losses it does not cover may be significant.

***We rely upon certain critical information systems for our daily business operations. Our inability to use or access our information systems at critical points in time could unfavorably impact our business operations.***

Our global operations are dependent upon certain information systems, including telecommunications, the internet, our corporate intranet, network communications, email and various computer hardware and software applications. System failures or malfunctions, such as difficulties with our customer and supplier relationship management systems, could disrupt our operations and our ability to timely and accurately process and report key components of our financial results. Our enterprise

resource planning (“ERP”) system is integral to our ability to accurately and efficiently maintain our books and records, record transactions, provide critical information to our management, and prepare our financial statements. Any disruptions or difficulties that may occur in connection with our ERP system or other systems (whether in connection with the regular operation, periodic enhancements, modifications or upgrades of such systems or the integration of our acquired businesses into such systems, or due to cybersecurity events such as ransomware attacks, including attacks on the information systems of our business partners and other third parties) could adversely affect our ability to complete important business processes, such as the evaluation of our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. Any of these events could have an adverse effect on our business, operating results and financial condition.

***Acquisitions are an important element of our strategy but, because of the uncertainties involved, we may not find suitable acquisition candidates and we may not be able to successfully integrate and manage acquired businesses. We are also exposed to risks in connection with strategic alliances into which we may enter.***

In addition to our efforts to develop new technologies from internal sources, part of our growth strategy is to pursue acquisitions and acquire new technologies from external sources. We may also enter into definitive agreements for and consummate acquisitions of, or significant investments in, businesses with complementary products, services and/or technologies. There can be no assurance that we will find suitable acquisition candidates, that we can close such acquisitions or that acquisitions we complete will be successful. In addition, we may use equity to finance future acquisitions, which would increase our number of shares outstanding and be dilutive to current stockholders.

If we are unable to successfully integrate and manage acquired businesses, if the costs associated with integrating the acquired businesses exceeds our expectations, or if acquired businesses perform poorly, then our business and financial results may suffer. It is possible that the businesses we have acquired, as well as businesses we may acquire in the future, may perform worse than expected or prove to be more difficult to integrate and manage than anticipated. In addition, we may face other risks associated with acquisition transactions that may lead to a material adverse effect on our business and financial results, including:

- We may have to devote unanticipated financial and management resources to acquired businesses;
- The combination of businesses may result in the loss of key personnel or an interruption of, or loss of momentum in, the activities of our Company and/or the acquired business;
- We may not be able to realize expected operating efficiencies or product integration benefits from our acquisitions;
- We may experience challenges in entering into new market segments for which we have not previously manufactured and sold products;
- We may face difficulties in coordinating geographically separated organizations, systems and facilities;
- The customers, distributors, suppliers, employees and others with whom the companies we acquire have business dealings may have a potentially adverse reaction to the acquisition;
- We may have difficulty implementing a cohesive framework of controls, procedures and policies appropriate for a larger, U.S.-based public company at companies that, prior to acquisition, may not have as robust controls, procedures and policies, particularly with respect to the effectiveness of cyber and information security practices and incident response plans, compliance with data privacy and protection and other laws and regulations, and compliance with U.S.-based economic policies and sanctions that may not have previously been applicable to the acquired company’s operations;
- We may have to write off goodwill or other intangible assets; and
- We may incur unforeseen obligations or liabilities in connection with acquisitions including, but not limited to, cybersecurity risks associated with integrating our networks or systems with those of acquired entities.

At times, we may also enter into strategic alliances with customers, suppliers or other business partners with respect to development of technology and IP. These alliances typically require significant investments of capital and exchange of proprietary, highly sensitive information. The success of these alliances depends on various factors over which we may have limited or no control and requires ongoing and effective cooperation with our strategic partners. Mergers and acquisitions and strategic alliances are inherently subject to significant risks, and the inability to effectively manage these risks could materially and adversely affect our business, financial condition and operating results.

***Disruption of our manufacturing facilities or other operations or those of our suppliers, or in the operations of our customers, due to climate change, earthquake, flood, other natural catastrophic events, public health crises such as the COVID-19 pandemic or terrorism could result in cancellation of orders, delays in deliveries or other business activities, or loss of customers and could seriously harm our business.***

We have significant manufacturing operations in the U.S., Singapore, Israel, Germany, United Kingdom, Italy and China. In addition, our business is international in nature, with our sales, service and administrative personnel and our customers and suppliers located in numerous countries throughout the world. Operations at our manufacturing facilities and our assembly subcontractors and those of our suppliers, as well as our other operations and those of our customers, are subject to disruption for a variety of reasons, including work stoppages, acts of war such as the war between Russia and Ukraine, terrorism, public health crises such as the COVID-19 pandemic, fire, earthquake, volcanic eruptions, drought, storms, sea-level rise, extreme temperatures, energy shortages, spikes in energy demand or power blackouts, disruptions in the availability of water necessary for our operations (including, but not limited to, in areas of relatively high water stress), flooding or other natural disasters; and certain of these events may become more frequent or intense as a result of climate change. Such disruption has caused (as with the COVID-19 pandemic, for example) and could in the future cause inefficiencies in our workforce and delays in, among other things, shipments of products to our customers, our ability to perform services requested by our customers, the ability of our suppliers to supply us components for our products in a timely manner, or the timely installation and acceptance of our products at customer sites. Such disruptions could also induce illiquidity for our customers and suppliers, further straining our supply chain and causing continued uncertainty in customers' abilities to pay for the products they purchase and their demand for our products and services. In case of any disruptions in our supply chain, we may need to commit to increased purchases and provide longer lead times to secure critical components, which could increase inventory obsolescence risk.

We cannot provide any assurance that alternate means of conducting our operations (whether through alternate production capacity or service providers or otherwise) would be available if a major disruption were to occur or that, if such alternate means were available, they could be obtained on favorable terms.

We maintain a program of insurance coverage for a variety of property, casualty and other risks. The types and amounts of insurance we obtain vary depending on availability, cost and decisions with respect to risk retention. Some of our policies have broad exclusions. In addition, one or more of our insurance providers may be unable or unwilling to continue to provide certain coverage in the future or pay a claim. Losses not covered by insurance may be large, which could harm our results of operations and financial condition.

In addition, as part of our cost-cutting actions, we have consolidated several operating facilities. Our California operations are now primarily centralized in our Milpitas facility. The consolidation of our California operations into a single campus could further concentrate the risks related to any of the disruptive events described above, such as acts of war or terrorism, earthquakes, fires or other natural disasters, if any such event were to impact our Milpitas facility.

***We are predominantly uninsured for losses and interruptions caused by terrorist acts and acts of war. If international political instability or geopolitical tensions continue or increase, our business and results of operations could be harmed.***

The threat of terrorism targeted at, or acts of war in, the regions of the world in which we do business increases the uncertainty in our markets. Any act of terrorism or war that affects the economy or the industries we serve could adversely affect our business. Increased international political instability or geopolitical tensions in various parts of the world, disruption in air transportation and further enhanced security measures as a result of terrorist attacks may hinder our ability to do business and may increase our costs of operations. We maintain significant operations in Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, and a state of hostility varying in degree and intensity has led to security and economic challenges for Israel. In October 2023, war between Israel and Hamas began, which has resulted in significant military activity in the region. In addition, some of our employees in Israel are obligated to perform annual reserve duty in the Israel Defense Forces, and may be called to active military duty in emergency circumstances, including the war against Hamas. Following the war between Israel and Hamas, the Houthis launched a number of attacks on marine vessels traversing the Red Sea, which marine vessels were thought to either be in route towards Israel or to be partly owned by Israeli businessmen. The Red Sea is a vital maritime route for international trade and major shipping companies announced suspensions of operations following these attacks. Disruptions in shipping routes in the Red Sea could result in delays in shipping our products to customers, which could delay the timing of revenue recognition. We cannot assess the impact that emergency conditions in Israel may have on our business, operations, financial condition or results of operations, but it could be material. Instability in any region could directly impact our ability to operate our business (or our customers' ability to operate their businesses), cause us to incur increased costs in transportation, make such transportation unreliable, increase our insurance costs, and cause international currency markets to fluctuate. Instability in the region could also have the same effects on our suppliers and their ability to timely deliver their products. Our insurance does not cover losses we suffer attributable to war. If international political instability and geopolitical tensions continue or increase in any region in which we do business, our business and results of operations could be harmed.

***We self-insure certain risks including earthquake risk. If one or more of the uninsured events occurs, we could suffer major financial loss.***

We purchase insurance to help mitigate the economic impact of certain insurable risks; however, certain risks are uninsurable, are insurable only at significant cost or cannot be mitigated with insurance. Accordingly, we may experience a loss that is not covered by insurance, either because we do not carry applicable insurance or because the loss exceeds the applicable

policy amount or is less than the deductible amount of the applicable policy. For example, we do not currently hold earthquake insurance. An earthquake could significantly disrupt our manufacturing operations, a significant portion of which are conducted in California, an area highly susceptible to earthquakes. It could also significantly delay our research and engineering efforts on new products, much of which is also conducted in California. We take steps to minimize the damage that would be caused by an earthquake, but there is no certainty that our efforts will prove successful in the event of an earthquake. We self-insure earthquake risks because we believe this is a prudent financial decision based on our cash reserves and the high cost and limited coverage available in the earthquake insurance market. Certain other risks are also self-insured either based on a similar cost-benefit analysis, or based on the unavailability of insurance. If one or more of the uninsured events occurs, we could suffer major financial loss.

***We are exposed to foreign currency exchange rate fluctuations. Although we hedge certain currency risks, we may still be adversely affected by changes in foreign currency exchange rates or declining economic conditions in these countries.***

We have some exposure to fluctuations in foreign currency exchange rates, primarily the Japanese Yen, the euro, the pound sterling and the new Israeli shekel. We have international subsidiaries that operate and sell our products globally. In addition, an increasing proportion of our manufacturing activities are conducted outside of the U.S., and many of the costs associated with such activities are denominated in foreign currencies. We routinely hedge our exposures to certain foreign currencies with certain financial institutions in an effort to minimize the impact of certain currency exchange rate fluctuations, but these hedges may be inadequate to protect us from currency exchange rate fluctuations. To the extent that these hedges are inadequate, or if there are significant currency exchange rate fluctuations in currencies for which we do not have hedges in place, our reported financial results or the way we conduct our business could be adversely affected. Furthermore, if a financial counterparty to our hedges experiences financial difficulties or is otherwise unable to honor the terms of the foreign currency hedge, we may experience material financial losses.

***We are exposed to fluctuations in interest rates and the market values of our portfolio investments, and an impairment of our investments could harm our earnings. In addition, we and our stockholders are exposed to risks related to the volatility of the market for our common stock.***

Our investment portfolio primarily consists of both corporate and government debt securities that are susceptible to changes in market interest rates and bond yields. As market interest rates and bond yields increase, those securities with a lower yield-at-cost show a mark-to-market unrealized loss. An impairment of the fair market value of our investments, even if unrealized, must be reflected in our financial statements for the applicable period and may, therefore, have a material adverse effect on our results of operations for that period.

In addition, the market price for our common stock is volatile and has fluctuated significantly during recent years. The trading price of our common stock could continue to be highly volatile and fluctuate widely in response to various factors, including, without limitation, conditions in the semiconductor industry and other industries in which we operate, fluctuations in the global economy or capital markets, our operating results or other performance metrics, or adverse consequences experienced by us as a result of any of the risks described elsewhere in this Item 1A. Volatility in the market price of our common stock could cause an investor in our common stock to experience a loss on the value of their investment in us and could also adversely impact our ability to raise capital through the sale of our common stock or to use our common stock as consideration to acquire other companies.

***We are exposed to risks in connection with tax and regulatory compliance audits in various jurisdictions.***

We are subject to tax and regulatory compliance audits (such as related to customs or product safety requirements) in various jurisdictions, and such jurisdictions may assess additional income or other taxes, penalties, fines or other prohibitions against us. Although we believe our tax estimates are reasonable and that our products and practices comply with applicable regulations, the final determination of any such audit and any related litigation could be materially different from our historical income tax provisions and accruals related to income taxes and other contingencies. The results of an audit or litigation could have a material adverse effect on our operating results or cash flows in the period or periods for which that determination is made.

***A change in our effective tax rate can have a significant adverse impact on our business.***

We earn profits in, and are therefore potentially subject to taxes in, the U.S. and numerous foreign jurisdictions, including Singapore and Israel, the countries in which we earn the majority of our non-U.S. profits. Due to economic, political or other conditions, tax rates in those jurisdictions may be subject to significant change. A number of factors may adversely impact our future effective tax rates, such as the jurisdictions in which our profits are determined to be earned and taxed; changes in the tax rates imposed by those jurisdictions; expiration of tax holidays in certain jurisdictions that are not renewed; the resolution of

issues arising from tax audits with various tax authorities; changes in the valuation of our deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions; changes in available tax credits; changes in stock-based compensation expense; changes in tax laws or the interpretation of such tax laws; changes in generally accepted accounting principles; and the repatriation of earnings from outside the U.S. for which we have not previously provided for U.S. taxes. A change in our effective tax rate can materially and adversely impact our results from operations.

In addition, recent changes to U.S. tax laws will significantly impact how U.S. multinational corporations are taxed on foreign earnings. We have completed our accounting for the tax effects of the Tax Cuts and Jobs Act (the “Tax Act”), which was enacted into law on December 22, 2017. However, the recent U.S. tax law changes are subject to future guidance from U.S. federal and state governments, such as the Treasury Department and/or the Internal Revenue Service. Any future guidance can change our tax liability. A significant portion of the income taxes due to the enactment of the Tax Act is payable by us over a period of eight years. As a result, our cash flows from operating activities will be adversely impacted until the tax liability is paid in full. Numerous countries are evaluating their existing tax laws due in part, to recommendations made by the Organization for Economic Co-operation and Development’s Base Erosion and Profit Shifting project.

***Compliance with federal securities laws, rules and regulations, as well as NASDAQ requirements, has become increasingly complex, and the significant attention and expense we must devote to those areas may have an adverse impact on our business.***

Federal securities laws, rules and regulations, as well as NASDAQ rules and regulations, require companies to maintain extensive corporate governance measures, impose comprehensive reporting and disclosure requirements, set strict independence and financial expertise standards for audit and other committee members and impose civil and criminal penalties for companies and their chief executive officers, chief financial officers and directors for securities law violations. These laws, rules and regulations have increased, and in the future are expected to continue to increase, the scope, complexity and cost of our corporate governance, reporting and disclosure practices, which could harm our results of operations and divert management’s attention from business operations.

***A change in accounting standards or practices or a change in existing taxation rules or practices (or changes in interpretations of such standards, practices or rules) can have a significant effect on our reported results and may even affect reporting of transactions completed before the change is effective.***

New accounting standards and taxation rules and varying interpretations of accounting pronouncements and taxation rules have occurred and will continue to occur in the future. Changes to (or revised interpretations or applications of) existing accounting standards or tax rules or the questioning of current or past practices may adversely affect our reported financial results or the way we conduct our business. Adoption of new standards may require changes to our processes, accounting systems, and internal controls. Difficulties encountered during adoption could result in internal control deficiencies or delay the reporting of our financial results.

#### **Risks Associated with Our Industry**

***Ongoing changes in the technology industry, as well as the semiconductor industry in particular, could expose our business to significant risks.***

The industries we serve, including the semiconductor, FPD and PCB industries, are constantly developing and changing. Many of the risks associated with operating in these industries are comparable to the risks faced by all technology companies, such as the uncertainty of future growth rates in the industries that we serve, pricing trends in the end-markets for consumer electronics and other products (which place a growing emphasis on our customers’ cost of ownership), rising inflation in the supply chain and interest rates, changes in our customers’ capital spending patterns and, in general, an environment of constant change and development, including decreasing product and component dimensions, use of new materials, and increasingly complex device structures, applications and process steps. If we fail to appropriately adjust our cost structure and operations to adapt to any of these trends, or, with respect to technological advances, if we do not timely develop new technologies and products that successfully anticipate and address these changes, we could experience a material adverse effect on our business, financial condition and operating results.

In addition, we face a number of risks specific to ongoing changes in the semiconductor industry, as a significant majority of our sales are our process control and yield management products sold to semiconductor manufacturers. The trends our management monitors in operating our business include the following:

- The potential for reversal of the long-term historical trend of declining cost per transistor with each new generation of technological advancement within the semiconductor industry, and the adverse impact that such reversal may have upon our business;
- The increasing cost of building and operating fabrication facilities and the impact of such increases on our customers' capital equipment investment decisions;
- Differing market growth rates and capital requirements for different applications, such as memory and foundry/logic;
- Lower level of process control adoption by our memory customers compared to our foundry/logic customers;
- Our customers' reuse of existing and installed products, which may decrease their need to purchase new products or solutions at more advanced technology nodes;
- The emergence of disruptive technologies that change the prevailing semiconductor manufacturing processes (or the economics associated with semiconductor manufacturing) and, as a result, also impact the inspection and metrology requirements associated with such processes;
- The higher design costs for the most advanced ICs, which could economically constrain leading-edge manufacturing technology customers to focus their resources on only the large, technologically advanced products and applications;
- The possible introduction of integrated products by our larger competitors that offer inspection and metrology functionality in addition to managing other semiconductor manufacturing processes;
- Changes in semiconductor manufacturing processes that are extremely costly for our customers to implement and, accordingly, our customers could reduce their available budgets for process control equipment by reducing inspection and metrology sampling rates for certain technologies;
- The bifurcation of the semiconductor manufacturing industry into (a) leading edge manufacturers driving continued R&D into next-generation products and technologies and (b) other manufacturers that are content with existing (including previous generation) products and technologies;
- The ever escalating cost of next-generation product development, which may result in joint development programs between us and our customers or government entities to help fund such programs that could restrict our control and ownership of and profitability from the products and technologies developed through those programs; and
- The entry by some semiconductor manufacturers into collaboration or sharing arrangements for capacity, cost or risk with other manufacturers, as well as increased outsourcing of their manufacturing activities, and greater focus only on specific markets or applications, whether in response to adverse market conditions or other market pressures.

New technology trends, such as AI, require us to keep pace with evolving regulations and industry standards. In the United States alone, numerous current and proposed regulatory frameworks relating to the use of AI in products and services exist. We expect the legal and regulatory environment relating to emerging technologies such as AI will continue to develop and may increase business costs, create compliance risks and increase potential liability. Additionally, governments are considering the new issues in intellectual property law that AI creates, which could result in different IP rights in technology we create with AI. The increasing focus on the strategic importance of AI technologies has already resulted in regulatory restrictions that target products and services capable of enabling or facilitating AI, and may in the future result in additional restrictions impacting some or all of our product and service offerings. Such restrictions could include additional unilateral or multilateral export controls on certain products or technology, including, but not limited to, AI technologies.

Any of the changes described above may negatively affect our customers' rate of investment in the capital equipment that we produce, which could result in downward pressure on our prices, customer orders, revenues and gross margins. If we do not successfully manage the risks resulting from any of these or other potential changes in our industries, our business, financial condition and operating results could be adversely impacted.

***We are exposed to risks associated with a highly concentrated customer base.***

Our customer base, particularly in the semiconductor industry, historically has been highly concentrated due to corporate consolidation, acquisitions and business closures. In this environment, orders from a relatively limited number of manufacturers have accounted for, and are expected to continue to account for, a substantial portion of our sales. This increasing concentration exposes our business, financial condition and operating results to a number of risks, including the following:

- The mix and type of customers, and sales to any single customer, may vary significantly from quarter to quarter and from year to year, which expose our business and operating results to increased volatility tied to individual customers;
- New orders from our foundry/logic customers in the past several years have constituted a significant portion of our total orders. This concentration increases the impact that future business or technology changes within the foundry/logic industry may have on our business, financial condition and operating results;

- In a highly concentrated business environment, if a particular customer does not place an order, or if they delay or cancel orders, we may not be able to replace the business. Furthermore, because our process control and yield management products are configured to each customer's specifications, any changes, delays or cancellations of orders may result in significant, non-recoverable costs;
- As a result of this consolidation, the customers that survive the consolidation represent a greater portion of our sales and, consequently, have greater commercial negotiating leverage. Many of our large customers have more aggressive policies regarding engaging alternative, second-source suppliers for the products we offer and, in addition, may seek and, on occasion, receive pricing, payment, IP-related or other commercial terms that may have an adverse impact on our business and we may not be able to pass on the cost of inflation to our customers. Any of these changes could negatively impact our prices, customer orders, revenues and gross margins;
- Certain customers have undergone significant ownership changes, created alliances with other companies, experienced management changes or have outsourced manufacturing activities, any of which may result in additional complexities in managing customer relationships and transactions. Any future change in ownership or management of our existing customers may result in similar challenges, including the possibility of the successor entity or new management deciding to select a competitor's products;
- The highly concentrated business environment also increases our exposure to risks related to the financial condition of each of our customers. For example, as a result of the challenging economic environment during fiscal year 2009, we were (and, in some cases, continue to be) exposed to additional risks related to the continued financial viability of certain of our customers. To the extent our customers experience liquidity issues in the future, we may be required to incur additional credit losses with respect to receivables owed to us by those customers. In addition, customers with liquidity issues may be forced to reduce purchases of our equipment, delay deliveries of our products, discontinue operations or may be acquired by one of our customers, and, in either case, such event would have the effect of further consolidating our customer base;
- Semiconductor manufacturers generally must commit significant resources to qualify, install and integrate process control and yield management equipment into a semiconductor production line. We believe that once a semiconductor manufacturer selects a particular supplier's process control and yield management equipment, the manufacturer generally relies upon that equipment for that specific production line application for an extended period of time. Accordingly, we expect it to be more difficult to sell our products to a given customer for that specific production line application and other similar production line applications if that customer initially selects a competitor's equipment; and
- Prices differ among the products we offer for different applications due to differences in features offered or manufacturing costs. If there is a shift in demand by our customers from our higher-priced to lower-priced products, our gross margin and revenues would decrease. In addition, when products are initially introduced, they tend to have higher costs because of initial development costs and lower production volumes relative to the previous product generation, which can impact gross margin.

Any of these factors could have a material adverse effect on our business, financial condition and operating results.

***We operate in industries that have historically been cyclical, including the semiconductor industry. The purchasing decisions of our customers are highly dependent on the economies of both the local markets in which they are located and the condition of the industry worldwide. If we fail to respond to industry cycles, our business, financial condition and operating results could be adversely impacted.***

The timing, length and severity of the up-and-down cycles in the industries in which we serve are difficult to predict. The historically cyclical nature of the semiconductor industry in which we primarily operate is largely a function of our customers' capital spending patterns and need for expanded manufacturing capacity, which, in turn, are affected by factors such as capacity utilization, consumer demand for products, inventory levels and our customers' access to capital. Cyclicalities affects our ability to accurately predict future revenue and, in some cases, future expense levels. During down cycles in our industry, the financial results of our customers may be negatively impacted, which could result not only in a decrease in, or cancellation or delay of, orders (which are generally subject to cancellation or delay by the customer with limited or no penalty) but also a weakening of their financial condition that could impair their ability to pay for our products or our ability to recognize revenue from certain customers. Our ability to recognize revenue from a particular customer may also be negatively impacted by the customer's funding status, which could be weakened not only by rising interest rates, adverse business conditions or inaccessibility to capital markets for any number of macroeconomic or company-specific reasons, but also by funding limitations imposed by the customer's unique organizational structure. Any of these factors could negatively impact our business, operating results and financial condition.



When cyclical fluctuations result in lower than expected revenue levels, operating results may be adversely affected and cost reduction measures may be necessary for us to remain competitive and financially sound. During periods of declining revenues, we must be in a position to adjust our cost and expense structure to prevailing market conditions and to continue to motivate and retain our key employees. If we fail to respond, or if our attempts to respond fail to accomplish our intended results, our business could be seriously harmed. Furthermore, any workforce reductions and cost reduction actions that we adopt in response to down cycles may result in additional restructuring charges, disruptions in our operations and loss of key personnel. In addition, during periods of rapid growth, we must be able to increase manufacturing capacity and personnel to meet customer demand. We can provide no assurance that these objectives can be met in a timely manner in response to industry cycles. Each of these factors could adversely impact our operating results and financial condition.

The growth that we have experienced over the past few years has resulted in higher levels of backlog, or RPO. The supply chain disruptions caused by the ongoing pandemic as well as favorable market trends have led to customers agreeing to purchase equipment from us with lead times that are longer than our historical experience. As the lead times for delivery of our equipment get longer, the risk increases that customers may choose to change their equipment orders due to the evolution of the customer's technological, production or market needs. This could result in order modifications, rescheduling or even cancellations that may not be communicated to us in a timely manner, causing RPO to remain elevated until agreed with the customer. Customer communication delays for orders already placed could affect our ability to respond quickly in weakening demand environments, which could harm our results of operations.

#### **Risks Related to Our Business Model and Capital Structure**

***If we do not develop and introduce new products and technologies in a timely manner in response to changing market conditions or customer requirements, our business could be seriously harmed.***

Success in the industries in which we serve, including the semiconductor, FPD and PCB industries depends, in part, on the continual improvement of existing technologies and rapid innovation of new solutions. The primary driver of technology advancement in the semiconductor industry has been to shrink the lithography that prints the circuit design on semiconductor chips. To the extent that driver slows, semiconductor manufacturers may delay investments in equipment, investigate more complex device architectures, use new materials and develop innovative fabrication processes. These and other evolving customer plans and needs require us to respond with continued development programs and cut back or discontinue older programs, which may no longer have industry-wide support. Technical innovations are inherently complex and require long development cycles and appropriate staffing of highly qualified employees. Our competitive advantage and future business success depend on our ability to accurately predict evolving industry standards, develop and introduce new products and solutions that successfully address changing customer needs, win market acceptance of these new products and solutions, and manufacture these new products in a timely and cost-effective manner. Our failure to accurately predict evolving industry standards and develop as well as offer competitive technology solutions in a timely manner with cost-effective products could result in loss of market share, unanticipated costs and inventory obsolescence, which would adversely impact our business, operating results and financial condition.

We must continue to make significant investments in R&D in order to enhance the performance, features and functionality of our products, to keep pace with competitive products and to satisfy customer demands. Substantial R&D costs typically are incurred before we confirm the technical feasibility and commercial viability of a new product, and not all development activities result in commercially viable products. There can be no assurance that revenues from future products or product enhancements will be sufficient to recover the development costs associated with such products or enhancements. In addition, we cannot be sure that these products or enhancements will receive market acceptance nor that we will be able to sell these products at prices that are favorable to us. Our business will be seriously harmed if we are unable to sell our products at favorable prices or if the market in which we operate does not accept our products.

In addition, the complexity of our products exposes us to other risks. We regularly recognize revenue from a sale upon shipment of the applicable product to the customer (even before receiving the customer's formal acceptance of that product) in certain situations, including sales of products for which installation is considered perfunctory, transactions in which the product is sold to an independent distributor and we have no installation obligations, and sales of products where we have previously delivered the same product to the same customer location and that prior delivery has been accepted. However, our products are very technologically complex and rely on the interconnection of numerous subcomponents (all of which must perform to their respective specifications), so it is conceivable that a product for which we recognize revenue upon shipment may ultimately fail to meet the overall product's required specifications. In such a situation, the customer may be entitled to certain remedies, which could materially and adversely affect our operating results for various periods and, as a result, our stock price.

We derive a substantial percentage of our revenues from sales of inspection products. As a result, any delay or reduction of sales of these products could have a material adverse effect on our business, financial condition and operating results. The

continued customer demand for these products and the development, introduction and market acceptance of new products and technologies are critical to our future success.

***Our success is dependent in part on our technology and other proprietary rights. If we are unable to maintain our lead or protect our proprietary technology, we may lose valuable assets.***

Our success is dependent, in part, on our technology and other proprietary rights. We own various U.S. and international patents and have additional pending patent applications relating to some of our products and technologies. The process of seeking patent protection is lengthy and expensive, and we cannot be certain that pending or future applications will actually result in issued patents or that issued patents will be of sufficient scope or strength to provide meaningful protection or commercial advantage to us. Other companies and individuals, including our larger competitors, may develop technologies and obtain patents relating to our business that are similar or superior to our technology or may design around the patents we own, which may adversely affect our business. In addition, we at times engage in collaborative technology development efforts with our customers and suppliers, and these collaborations may constitute a key component of certain of our ongoing technology and product R&D projects. The termination of any such collaboration, or delays caused by disputes or other unanticipated challenges that may arise in connection with any such collaboration, could significantly impair our R&D efforts, which could have a material adverse impact on our business and operations.

We also maintain trademarks on certain of our products and services and claim copyright protection for certain proprietary software and documentation. However, we can give no assurance that our trademarks and copyrights will be upheld or successfully deter infringement by third parties.

While patent, copyright and trademark protection for our IP is important, we believe our future success in highly dynamic markets is most dependent upon the technical competence and creative skills of our personnel. We attempt to protect our trade secrets and other proprietary information through confidentiality and other agreements with our customers, suppliers, employees and consultants and through other security measures. We also maintain exclusive and non-exclusive licenses with third parties for strategic technology used in certain products. However, these employees, consultants and third parties may breach these agreements, and we may not have adequate remedies for wrongdoing. We also try to control access to and distribution of our technology and proprietary information. Despite our efforts, internal or external parties may attempt to copy, disclose, obtain or misappropriate our IP or technology. In addition, former employees may seek employment with our customers, suppliers or competitors and there can be no assurance that the confidential nature of our proprietary information will be maintained in the course of such future employment. In addition, the laws of certain territories in which we develop, manufacture or sell our products may not protect our IP rights to the same extent as the laws of the U.S. In any event, the extent to which we can protect our trade secrets through the use of confidentiality agreements is limited, and our success will depend to a significant extent on our ability to innovate ahead of our competitors.

***Our future performance depends, in part, upon our ability to continue to compete successfully worldwide.***

Our industry includes large manufacturers with substantial resources to support customers worldwide. Some of our competitors are diversified companies with greater financial resources and more extensive research, engineering, manufacturing, marketing, and customer service and support capabilities than we possess. We face competition from companies whose strategy is to provide a broad array of products and services, some of which compete with the products and services we offer. These competitors may bundle their products in a manner that may discourage customers from purchasing our products, including pricing such competitive tools significantly below our product offerings. In addition, we face competition from smaller emerging companies whose strategy is to provide a portion of the products and services that we offer, using innovative technology to sell products into specialized markets. The strength of our competitive positions in many of our existing markets is largely due to our leading technology, which is the result of continuing significant investments in product R&D. However, we may enter new markets, whether through acquisitions or new internal product development, in which competition is based primarily on product pricing, not technological superiority. Further, some new growth markets that emerge may not require leading technologies. Loss of competitive position in any of the markets we serve, or an inability to sell our products on favorable commercial terms in new markets we may enter, could negatively affect our prices, customer orders, revenues, gross margins and market share, any of which would negatively affect our operating results and financial condition.

***Our business would be harmed if we do not receive parts sufficient in number and performance to meet our production requirements and product specifications in a timely and cost-effective manner.***

We use a wide range of materials in the production of our products, including custom electronic and mechanical components, and we use numerous suppliers to supply these materials. Generally, we do not have guaranteed supply arrangements with our suppliers. Because of the variability and uniqueness of customers' orders, we do not maintain an extensive inventory of materials for manufacturing. Through our business interruption planning, we seek to minimize the risk of production and service interruptions and/or shortages of key parts by, among other things, monitoring the financial stability of

key suppliers, identifying (but not necessarily qualifying) possible alternative suppliers and maintaining appropriate inventories of key parts. Although we make reasonable efforts to ensure that parts are available from multiple suppliers, certain key parts are available only from a single supplier or a limited group of suppliers. Also, key parts we obtain from some of our suppliers incorporate the suppliers' proprietary IP; in those cases, we are increasingly reliant on third parties for high-performance, high-technology components, which reduces the amount of control we have over the availability and protection of the technology and IP that is used in our products. In addition, if certain of our key suppliers experience liquidity issues and are forced to discontinue operations, which is a heightened risk, especially during economic downturns, it could affect their ability to deliver parts and could result in delays for our products. Similarly, especially with respect to suppliers of high-technology components, our suppliers themselves have increasingly complex supply chains, and delays or disruptions at any stage of their supply chains may prevent us from obtaining parts in a timely manner and result in delays for our products, or our suppliers might pass on the cost of inflation to us while we are unable to adjust pricing with our own customers. Our operating results and business may be adversely impacted if we are unable to obtain parts to meet our production requirements and product specifications, or if we are able to do so only on unfavorable terms. Furthermore, a supplier may discontinue production of a particular part for any number of reasons, including the supplier's financial condition or business operational decisions, which would require us to purchase, in a single transaction, a large number of such discontinued parts in order to ensure that a continuous supply of such parts remains available to our customers. Such "end-of-life" parts purchases could result in significant expenditures by us in a particular period, and, ultimately, any unused parts may result in a significant inventory write-off, either of which could have an adverse impact on our financial condition and results of operations for the applicable periods.

***If we fail to operate our business in accordance with our business plan, our operating results, business and stock price may be significantly and adversely impacted.***

We attempt to operate our business in accordance with a business plan that is established annually, revised frequently (generally quarterly), and reviewed by management even more frequently (at least monthly). Our business plan is developed based on a number of factors, many of which require estimates and assumptions, such as our expectations of the economic environment, future business levels, our customers' willingness and ability to place orders, lead-times, and future revenue and cash flow. Our budgeted operating expenses, for example, are based in part on our future revenue expectations. However, our ability to achieve our anticipated revenue levels is a function of numerous factors, including the volatile and historically cyclical nature of our primary industry, customer order cancellations, macroeconomic changes, operational matters regarding particular agreements, our ability to manage customer deliveries, the availability of resources for the installation of our products, delays or accelerations by customers in taking deliveries and the acceptance of our products (for products where customer acceptance is required before we can recognize revenue from such sales), our ability to operate our business and sales processes effectively, and a number of the other risk factors set forth in this Item 1A.

Because our expenses are in most cases relatively fixed in the short term, any revenue shortfall below expectations could have an immediate and significant adverse effect on our operating results. Similarly, if we fail to manage our expenses effectively or otherwise fail to maintain rigorous cost controls, we could experience greater than anticipated expenses during an operating period, which would also negatively affect our results of operations. If we fail to operate our business consistent with our business plan, our operating results in any period may be significantly and adversely impacted. Such an outcome could cause customers, suppliers or investors to view us as less stable, or could cause us to fail to meet financial analysts' revenue or earnings estimates, any of which could have an adverse impact on our stock price.

In addition, our management is constantly striving to balance the requirements and demands of our customers with the availability of resources, the need to manage our operating model and other factors. In furtherance of those efforts, we often must exercise discretion and judgment as to the timing and prioritization of manufacturing, deliveries, installations and payment scheduling. Any such decisions may impact our ability to recognize revenue, including the fiscal period during which such revenue may be recognized, with respect to such products, which could have a material adverse effect on our business, results of operations or stock price.

***We have a leveraged capital structure.***

As of December 31, 2023, we had \$5.95 billion aggregate principal amount of outstanding indebtedness, consisting of \$5.95 billion aggregate principal amount of senior, unsecured long-term notes, of which \$3.00 billion were issued in the fourth quarter of fiscal 2022. We have \$750.0 million principal of our senior, unsecured long-term notes due during the second quarter of fiscal 2025. We have a Credit Agreement and a Revolving Credit Facility with a maturity date of June 8, 2027 with two one-year extension options that allow us to borrow up to \$1.50 billion. Subject to the terms of the Credit Agreement, the Revolving Credit Facility may be increased by an amount up to \$250.0 million in the aggregate. As of December 31, 2023, we had no outstanding borrowings under our Revolving Credit Facility. We may incur additional indebtedness in the future by accessing the unfunded portion of our Revolving Credit Facility and/or entering into new financing arrangements. We also announced a stock repurchase program, under which the remaining available for repurchases was \$3.02 billion as of December 31, 2023. A

large portion of the remaining repurchases may be financed with new indebtedness. Our ability to pay interest and repay the principal amount of our current indebtedness is dependent upon our ability to manage our business operations, our credit rating, the ongoing interest rate environment and the other risk factors discussed in this Item 1A. There can be no assurance that we will be able to manage any of these risks successfully.

In certain circumstances involving a change of control followed by a downgrade of the rating of a series of our Senior Notes by at least two of Moody's Investors Service, S&P Global Ratings and Fitch Inc., unless we have exercised our rights to redeem the Senior Notes of such series, we will be required to make an offer to repurchase all or, at the holder's option, any part, of each holder's Senior Notes of that series pursuant to the offer. At that time, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of Senior Notes repurchased plus accrued and unpaid interest, if any, on the Senior Notes repurchased, up to, but not including, the date of repurchase. We cannot make any assurance that we will have sufficient financial resources at such time, nor that we will be able to arrange financing to pay the repurchase price of that series of Senior Notes. Our ability to repurchase that series of Senior Notes in such event may be limited by law, by the relevant indenture associated with that series of Senior Notes, or by the terms of other agreements to which we may be a party at such time. If we fail to repurchase that series of Senior Notes as required by the terms of such Senior Notes, it would constitute an event of default under the relevant indenture governing that series of Senior Notes which, in turn, may also constitute an event of default under our other obligations.

Borrowings under our Revolving Credit Facility bear interest at a floating rate, and an increase in interest rates, particularly in the current environment of rising interest rates, would require us to pay additional interest on any borrowings, which may have an adverse effect on the value and liquidity of our debt and the market price of our common stock could decline. The interest rate under our Revolving Credit Facility is also subject to (i) an adjustment in conjunction with our credit rating downgrades or upgrades and (ii) an adjustment based on our performance against certain sustainability key performance indicators related to greenhouse gas emissions and renewable electricity usage. Additionally, under our Revolving Credit Facility, we are required to comply with affirmative and negative covenants, which include the maintenance of certain financial ratios, the details of which can be found in Note 8 "Debt" to our Condensed Consolidated Financial Statements.

If we fail to comply with these covenants, we will be in default and our borrowings may become immediately due and payable. There can be no assurance that we will have sufficient financial resources nor that we will be able to arrange financing to repay our borrowings at such time. In addition, certain of our domestic subsidiaries are required to guarantee our borrowings under our Revolving Credit Facility. In the event we default on our borrowings, these domestic subsidiaries shall be liable for our borrowings, which could disrupt our operations and result in a material adverse impact on our business, financial condition or stock price.

***Our leveraged capital structure may adversely affect our financial condition, results of operations and net income per share.***

Our substantial amount of indebtedness could have adverse consequences including, but not limited to:

- A negative impact on our ability to satisfy our future obligations;
- An increase in the portion of our cash flows that may have to be dedicated to interest and principal payments that may not be available for operations, working capital, capital expenditures, acquisitions, investments, dividends, stock repurchases, general corporate or other purposes;
- An impairment of our ability to obtain additional financing in the future; and
- Obligations to comply with restrictive and financial covenants as noted in the above risk factor and Note 8 "Debt" to our Condensed Consolidated Financial Statements.

Our ability to satisfy our future expenses as well as our debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. Furthermore, our future operations may not generate sufficient cash flows to enable us to meet our future expenses and service our debt obligations, which may impact our ability to manage our capital structure to preserve and maintain our investment grade rating. If our future operations do not generate sufficient cash flows, we may need to access the money available for borrowing under our Revolving Credit Facility or enter into new financing arrangements to obtain necessary funds. If we determine it is necessary to seek additional funding for any reason, we may not be able to obtain such funding or, if funding is available, we may not be able to obtain it on acceptable terms. Any borrowings under our Revolving Credit Facility will place further pressure on us to comply with the financial covenants. If we fail to make a payment associated with our debt obligations, we could be in default on such debt, and such a default could cause us to be in default on our other obligations.

***There can be no assurance that we will continue to declare cash dividends at all or in any particular amounts.***

We intend to continue to pay quarterly dividends subject to capital availability and periodic determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and are in compliance with all laws and agreements applicable to the declaration and payment of cash dividends by us. However, future dividends may be affected by, among other factors: our views on potential future capital requirements for investments in acquisitions and the funding of our R&D; legal risks; stock repurchase programs; changes in federal and state income tax laws or corporate laws; changes to our business model; and our increased interest and principal payments required by our outstanding indebtedness and any additional indebtedness that we may incur in the future. Our dividend payments may change from time to time, and we cannot provide assurance that we will continue to declare dividends at all or in any particular amounts. A reduction in our dividend payments could have a negative effect on our stock price.

***We are exposed to risks related to our commercial terms and conditions, including our indemnification of third parties, as well as the performance of our products.***

Although our standard commercial documentation sets forth the terms and conditions that we intend to apply to commercial transactions with our business partners, counterparties to such transactions may not explicitly agree to our terms and conditions. In situations where we engage in business with a third party without an explicit master agreement regarding the applicable terms and conditions, or where the commercial documentation applicable to the transaction is subject to varying interpretations, we may have disputes with those third parties regarding the applicable terms and conditions of our business relationship with them. Such disputes could lead to a deterioration of our commercial relationship with those parties, costly and time-consuming litigation, or additional concessions or obligations being offered by us to resolve such disputes, or could impact our revenue or cost recognition. Any of these outcomes could materially and adversely affect our business, financial condition and results of operations.

In addition, in our commercial agreements, from time to time in the normal course of business, we indemnify third parties with whom we enter into contractual relationships, including customers, suppliers and lessors, with respect to certain matters. We have agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, third-party claims that our products, when used for their intended purposes, infringe the IP rights of such third parties, or other claims made against certain parties. We may be compelled to enter into or accrue for probable settlements of alleged indemnification obligations, or we may be subject to potential liability arising from our customers' involvements in legal disputes. In addition, notwithstanding the provisions related to limitations on our liability that we seek to include in our business agreements, the counterparties to such agreements may dispute our interpretation or application of such provisions, and a court of law may not interpret or apply such provisions in our favor, any of which could result in an obligation for us to pay material damages to third parties and engage in costly legal proceedings. It is difficult to determine the maximum potential amount of liability under any indemnification obligations, whether or not asserted, due to our limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in any particular claim. Our business, financial condition and results of operations in a reported fiscal period could be materially and adversely affected if we expend significant amounts in defending or settling any purported claims, regardless of their merit or outcomes.

We are also exposed to potential costs associated with unexpected product performance issues. Our products and production processes are extremely complex and, thus, could contain unexpected product defects, especially when products are first introduced. Unexpected product performance issues could result in significant costs being incurred by us, including increased service or warranty costs, providing product replacements for (or modifications to) defective products, litigation related to defective products, reimbursement for damages caused by our products, product recalls, or product write-offs or disposal costs. These costs could be substantial and could have an adverse impact upon our business, financial condition and operating results. In addition, our reputation with our customers could be damaged as a result of such product defects, which could reduce demand for our products and negatively impact our business.

Furthermore, we occasionally enter into volume purchase agreements with our larger customers, and these agreements may provide for certain volume purchase incentives, such as credits toward future purchases. We believe that these arrangements are beneficial to our long-term business, as they are designed to encourage our customers to purchase larger volumes of our products. However, these arrangements could require us to recognize a reduced level of revenue for the products that are initially purchased, to account for the potential future credits or other volume purchase incentives. Our volume purchase agreements require significant estimation for the amounts to be accrued depending upon the estimate of volume of future purchases. As such, we are required to update our estimates of the accruals on a periodic basis. Until the earnings process is complete, our estimates could differ in comparison to actual results. As a result, these volume purchase arrangements, while expected to be beneficial to our business over time, could materially and adversely affect our results of operations in near-term periods, including the revenue we can recognize on product sales and, therefore, our gross margins.

In addition, we may, in limited circumstances, enter into agreements that contain customer-specific commitments on

pricing, tool reliability, spare parts stocking levels, response time and other commitments, and we may be unable to adjust pricing with our customers despite rising inflation in our supply chain. Furthermore, we may give these customers limited audit or inspection rights to enable them to confirm that we are complying with these commitments. If a customer elects to exercise its audit or inspection rights, we may be required to expend significant resources to support the audit or inspection, as well as to defend or settle any dispute with a customer that could potentially arise out of such audit or inspection. To date, we have made no significant accruals in our Condensed Consolidated Financial Statements for this contingency. While we have not in the past incurred significant expenses for resolving disputes regarding these types of commitments, we cannot make any assurance that we will not incur any such liabilities in the future. Our business, financial condition and results of operations in a reported fiscal period could be materially and adversely affected if we expend significant amounts in supporting an audit or inspection, or defending or settling any purported claims, regardless of their merit or outcomes.

***There are risks associated with our receipt of government funding for research and development.***

We are exposed to additional risks related to our receipt of external funding for certain strategic development programs from various governments and government agencies, both domestically and internationally. Governments and government agencies typically have the right to terminate funding programs at any time in their sole discretion, or a project may be terminated by mutual agreement if the parties determine that the project's goals or milestones are not being achieved, so there is no assurance that these sources of external funding will continue to be available to us in the future. In addition, under the terms of these government grants, the applicable granting agency typically has the right to audit the costs that we incur, directly and indirectly, in connection with such programs. Any such audit could result in modifications to, or even termination of, the applicable government funding program. For example, if an audit were to identify any costs as being improperly allocated to the applicable program, those costs would not be reimbursed, and any such costs that had already been reimbursed would have to be refunded. We do not know the outcome of any future audits. Any adverse finding resulting from any such audit could lead to penalties (financial or otherwise), termination of funding programs, suspension of payments, fines and suspension or prohibition from receiving future government funding from the applicable government or government agency, any of which could adversely impact our operating results, financial condition and ability to operate our business.

***We have recorded significant asset impairment, restructuring and inventory write-off charges and may do so again in the future, which could have a material negative impact on our results of operations.***

Historically, we have recorded restructuring charges related to our prior global workforce reductions, large excess inventory write-offs, and material impairment charges related to our goodwill and purchased intangible assets, such as the goodwill and purchased intangible asset impairment charges recorded in the second quarter of fiscal 2024. Workforce changes can also temporarily reduce workforce productivity, which could be disruptive to our business and adversely affect our results of operations. In addition, we may not achieve or sustain the expected cost savings or other benefits of our restructuring plans, or do so within the expected time frame. If we again restructure our organization and business processes, implement additional cost-reduction actions or discontinue certain business operations, we may take additional, potentially material, restructuring charges related to, among other things, employee terminations or exit costs. We may also be required to write off additional inventory if our product build plans or demand for service inventory decline. Also, in the event that our lead times from suppliers increase (possibly due to the increasing complexity of the parts and components they provide) and the lead times demanded by our customers decrease (which may be due to many factors, including the time pressures they face when introducing new products or technology or bringing new facilities into production), we may be compelled to increase our commitments, and, therefore, our risk exposure, to inventory purchases to meet our customers' demands in a timely manner, and that inventory may need to be written off if demand for the underlying product declines for any reason. Such additional write-offs could result in material charges.

We have recorded material charges related to the impairment of our goodwill and purchased intangible assets. Goodwill represents the excess of costs over the net fair value of net assets acquired in a business combination. Goodwill is not amortized, but is instead tested for impairment at least annually in accordance with authoritative guidance for goodwill. Purchased intangible assets with estimable useful lives are amortized over their respective estimated useful lives based on economic benefit if known or using the straight-line method, and are reviewed for impairment in accordance with authoritative guidance for long-lived assets. The valuation of goodwill and intangible assets requires assumptions and estimates of many critical factors, including, but not limited to, declines in our operating cash flows, declines in our stock price or market capitalization, declines in our market share, and declines in revenues or profits. A substantial decline in our stock price, or any other adverse change in market conditions, particularly if such change has the effect of changing one of the critical assumptions or estimates we previously used to calculate the value of our goodwill or intangible assets (and, as applicable, the amount of any previous impairment charge), could result in a change to the estimation of fair value that could result in an additional impairment charge.

Any such additional material charges, whether related to restructuring or goodwill or purchased intangible asset impairment, may have a material negative impact on our operating results and related financial statements.

***We are exposed to risks related to our receivables factoring and banking arrangements.***

We enter into factoring arrangements with financial institutions to sell certain of our trade receivables and promissory notes from customers without recourse. In addition, we maintain cash and cash equivalents with several domestic and foreign financial institutions, in excess of the Federal Deposit Insurance Corporation insurance limit. If we were to stop entering into these factoring arrangements, our operating results, financial condition and cash flows could be adversely impacted by delays or failures in collecting trade receivables. However, by engaging these financial institutions for factoring arrangements and for banking services, we are exposed to additional risks that any of such financial institutions may prove to be not financially viable. If any of these financial institutions experiences financial difficulties or is otherwise unable to honor the terms of our factoring or deposit arrangements, we may experience material financial losses due to the failure of such arrangements or a lack of access to our funds, any of which could have an adverse impact upon our operating results, financial condition and cash flows.

***We are subject to the risks of additional government actions in the event we were to breach the terms of any settlement arrangement into which we have entered.***

In connection with the settlement of certain government actions and other legal proceedings related to our historical stock option practices, we have explicitly agreed, as a condition to such settlements, that we will comply with certain laws, such as the books and records provisions of the federal securities laws. If we were to violate any such law, we might not only be subject to the significant penalties applicable to such violation, but our past settlements may also be impacted by such violation, which could give rise to additional government actions or other legal proceedings. Any such additional actions or proceedings may require us to expend significant management time and incur significant accounting, legal and other expenses, and may divert attention and resources from the operation of our business. These expenditures and diversions, as well as an adverse resolution of any such action or proceeding, could have a material adverse effect on our business, financial condition and results of operations.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Equity Repurchase Plans**

The following is a summary of stock repurchases for the three months ended December 31, 2023:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share<sup>(3)</sup></b>	<b>Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs<sup>(1)</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs<sup>(1)(2)(3)</sup></b>
October 1, 2023 to October 31, 2023	369,888	\$ 468.14	369,888	\$ 3,281,404,177
November 1, 2023 to November 30, 2023	199,647	\$ 540.24	199,647	\$ 3,173,547,000
December 1, 2023 to December 31, 2023	278,814	\$ 561.83	278,814	\$ 3,016,900,355
<b>Total</b>	<b>848,349</b>		<b>848,349</b>	

- (1) Our Board of Directors has authorized a program that permits us to repurchase our common stock, including a \$2.00 billion increase approved by the Board in the first quarter of fiscal 2024. As of December 31, 2023, approximately \$3.02 billion remained available for repurchases under our repurchase program. All shares in the table were purchased pursuant to our publicly announced repurchase program.
- (2) Our stock repurchase program has no expiration date and may be suspended at any time. Future repurchases of shares of our common stock under our repurchase program may be effected through various different repurchase transaction structures including isolated open market transactions, accelerated share repurchase agreements or systematic repurchase plans, subject to market conditions, applicable legal requirements and other factors.
- (3) Average price paid per share and approximate dollar value of shares that may yet be purchased under the plans or programs exclude the excise tax imposed on certain stock repurchases as part of the Inflation Reduction Act of 2022, or other fees, costs or expenses that may be applicable to the repurchases.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

*Rule 10b5-1 Trading Plans Adopted by Officers and Directors During the Second Quarter*

During the three months ended December 31, 2023, the following officers of the Company adopted trading plans to sell and/or gift shares of our common stock that have been or will be issued upon the vesting of RSUs, or purchased in our Employee Stock Purchase Plan, that are intended to satisfy the affirmative defense conditions set forth in Rule 10b5-1(c) under the Exchange Act. The material terms of the trading plans other than pricing conditions are set forth in the table below:

<b>Name of Officer</b>	<b>Title of Officer</b>	<b>Date of Adoption</b>	<b>Duration</b>	<b>Maximum Number of Shares to be Sold*</b>
Oreste Donzella	Executive Vice President, Electronics, Packaging and Components	October 30, 2023	366 days**	8,165
Richard Wallace	President and Chief Executive Officer	November 27, 2023	355 days***	76,672

\* Due to pricing conditions in the trading plans, the number of shares actually sold under the trading plans may be less than the maximum number of shares that can be sold. Shares sold under plans upon the vesting of performance-based RSUs where the performance conditions have not been met at the time of plan adoption or are to be purchased in the future under our employee stock purchase plan are calculated at the maximum number of shares that may be issued, with fractional shares disregarded.



\*\* Mr. Donzella's trading plan terminates when the last trade is placed under the plan. The last scheduled trade is on October 15, 2024; provided that if any scheduled trades are not placed because of trading conditions set forth in the plan, the trading plan will terminate on October 29, 2024.

\*\*\* Mr. Wallace's trading plan terminates when the last trade is placed under the plan. The last scheduled trade is on November 12, 2024; provided that if any scheduled trades are not placed because of trading conditions set forth in the plan, the trading plan will terminate on November 15, 2024.

**ITEM 6. EXHIBITS**

Exhibit Number	Exhibit Description	Form	Incorporated by Reference		Filing Date
			File Number	Exhibit Number	
<u>3.1</u>	<u>Restated Certificate of Incorporation</u>	10-K	No. 000-09992	3.1	August 16, 2019
<u>3.2</u>	<u>Amended and Restated By-Laws</u>	8-K	No. 000-09992	3.1	November 4, 2022
<u>10.1</u>	<u>KLA Corporation 2023 Incentive Award Plan</u>	8-K	No. 000-09992	10.1	November 3, 2023
<u>10.2</u>	<u>KLA Corporation 2023 Incentive Award Plan Global Restricted Stock Unit Agreement</u>				
<u>31.1</u>	<u>Certification of Chief Executive Officer under Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934</u>				
<u>31.2</u>	<u>Certification of Chief Financial Officer under Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934</u>				
<u>32</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350<sup>^</sup></u>				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

<sup>^</sup> Furnished herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**KLA CORPORATION**

(Registrant)

January 25, 2024

\_\_\_\_\_  
(Date)

/s/ RICHARD P. WALLACE

\_\_\_\_\_  
Richard P. Wallace  
President and Chief Executive Officer  
(Principal Executive Officer)

January 25, 2024

\_\_\_\_\_  
(Date)

/s/ BREN D. HIGGINS

\_\_\_\_\_  
Bren D. Higgins  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

January 25, 2024

\_\_\_\_\_  
(Date)

/s/ VIRENDRA A. KIRLOSKAR

\_\_\_\_\_  
Virendra A. Kirloskar  
Senior Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

**KLA CORPORATION**  
**2023 INCENTIVE AWARD PLAN**

**GLOBAL RESTRICTED STOCK UNIT AGREEMENT**

Capitalized terms not specifically defined in this Global Restricted Stock Unit Agreement, including any additional terms and conditions for Participant's country set forth in the Appendix hereto (together, this "**Agreement**") shall have the meanings specified in that certain Global Restricted Stock Unit Grant Notice (the "**Grant Notice**") to which this Agreement relates or, if not defined in the Grant Notice, in the Plan.

**ARTICLE I.**  
**GENERAL**

Article I. Award of RSUs and Dividend Equivalents.

(a) The Company has granted the RSUs to Participant effective as of the grant date set forth in the Grant Notice (the "**Grant Date**"). Each RSU represents the right to receive one Share as set forth in this Agreement. Participant will have no right to the distribution of any Shares until the time (if ever) the RSUs have vested.

(b) The Company hereby grants to Participant, with respect to each RSU granted hereunder, a Dividend Equivalent for ordinary cash dividends paid to substantially all holders of outstanding Shares with a record date after the Grant Date and prior to the date the applicable RSU is settled, forfeited or otherwise expires. Each Dividend Equivalent entitles Participant to receive the equivalent value of any such ordinary cash dividends paid on a single Share. The Company will establish a separate Dividend Equivalent bookkeeping account (a "**Dividend Equivalent Account**") for each Dividend Equivalent and credit the Dividend Equivalent Account (without interest) on the applicable dividend payment date with the amount of any such cash paid. Any Dividend Equivalents granted in connection with the RSUs issued hereunder, and any amounts that may become distributable in respect thereof, shall be treated separately from such RSUs and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A.

1.1 Incorporation of Terms of Plan. The RSUs and Dividend Equivalents are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control. If the Appendix described in Section 4.15 below applies to Participant, in the event of a conflict between the terms of this Agreement or the Plan and the provisions in the Appendix, the terms and conditions in the Appendix shall control.

1.2 Unsecured Promise. The RSUs and Dividend Equivalents will at all times prior to settlement represent an unsecured Company obligation payable only from the Company's general assets.

**ARTICLE II.**  
**VESTING; FORFEITURE AND SETTLEMENT**

1.1 Vesting; Forfeiture.

(a) *General.* Subject to and except as otherwise provided in Section 2.1(b) below, the RSUs will vest according to the vesting schedule in the Grant Notice (with any fractional RSUs scheduled to vest on any vesting date treated as determined by the Company in its discretion). Dividend Equivalents (including any Dividend Equivalent Account balance) will vest upon the vesting of the RSUs with respect to which the Dividend Equivalent (including the Dividend Equivalent Account) relates.

(b) *Forfeiture.*

(i) In the event of Participant's Termination of Service for any reason, all unvested RSUs (together with their tandem Dividend Equivalents (and any corresponding Dividend Equivalent Account balance)) will immediately and automatically be cancelled and forfeited without payment, except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company or a Subsidiary thereof. For the avoidance of doubt, employment or other service during only a portion of the vesting period, but where Termination of Service has occurred prior to a vesting date, shall not entitle Participant to vest in a pro-rata portion of the RSUs or Dividend Equivalents.

(ii) Participant hereby acknowledges and agrees that Participant shall continue to comply with any restrictive covenants to which Participant is bound pursuant to any written agreement with the Company or any of its Subsidiaries (including, if Participant is a party to an employment agreement with the Company or any of its Subsidiaries, the restrictive covenants set forth in such employment agreement (if any)) (collectively, "**Restrictive Covenants**"). In the event that Participant breaches any Restrictive Covenant, then any unvested RSUs or vested RSUs which have not yet been settled will automatically be forfeited and cancelled as of such breach without payment.

## 1.2 Settlement.

(a) RSUs that vest will be paid in Shares, and Dividend Equivalents (including any Dividend Equivalent Account balance) that vest will be paid in cash, in each case, as soon as administratively practicable after vesting, but in no event later than March 15 of the calendar year following the calendar year in which the RSU's vesting date occurs.

(b) Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company reasonably determines the making of the payment will not cause such a violation (in accordance with U.S. Treasury Regulation Section 1.409A-2(b)(7)(ii)); provided the Company reasonably believes the delay will not result in the imposition of excise taxes under Section 409A.

(c) Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made to the administrator or executor of Participant's estate or to Participant's legal heirs, as applicable. Any such administrator, executor or legal heir must furnish the Company with (i) written notice of his or her status as such and (ii) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

(d) The issuance of Shares upon the vesting of the RSUs is subject to Participant's continued compliance with all of the applicable requirements of all Applicable Laws and regulations with respect to such issuance.

## ARTICLE III. TAXATION AND TAX WITHHOLDING

1.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this award of RSUs and Dividend Equivalents and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

## 1.2 Responsibility for Taxes.

(a) Participant acknowledges that, regardless of any action taken by the Company or, if different, the Subsidiary which employs Participant or to which Participant otherwise renders services (the "**Service Recipient**"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable or deemed applicable to Participant ("**Tax-Related Items**") is and remains Participant's responsibility and may exceed the amount (if any) actually withheld by the Company or the

Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs or Dividend Equivalents, including, but not limited to, the grant, vesting or settlement of the RSUs or Dividend Equivalents, or the subsequent sale of Shares acquired pursuant to the settlement of any RSUs; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs or Dividend Equivalents to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Service Recipient may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) In connection with any relevant taxable or tax-withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company and/or the Service Recipient to satisfy Tax-Related Items. In this regard and unless the Administrator determines otherwise, Participant authorizes and agrees that the Company or its agent shall satisfy any applicable withholding obligations or rights with regard to all Tax-Related Items arising in connection with or relating to the RSUs by withholding in Shares to be issued upon settlement of the RSUs. The number of Shares which may be so withheld or surrendered shall be limited to the number of Shares which have a fair market value on the date of withholding no greater than the aggregate amount of such liabilities based on the maximum individual statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income, in accordance with Section 9.5 of the Plan. In the event that such withholding in Shares is problematic under applicable tax or securities law or has materially adverse accounting consequences or if the Administrator determines otherwise, by Participant's acceptance of this Agreement, (1) Participant authorizes and directs the Company and any brokerage firm determined acceptable to the Company to sell on Participant's behalf a number of Shares from those Shares issued to Participant as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy any applicable withholding obligations or rights for Tax-Related Items (pursuant to this authorization without further consent), (2) Participant authorizes the Service Provider to withhold Tax-Related Items from Participant's wages or other cash compensation payable to Participant or (3) the Company may require Participant to make cash payment in an amount equal to the withholding obligations for Tax-Related Items. The Company or Service Recipient shall satisfy any applicable withholding obligations or rights with respect to all Tax-Related Items arising in connection with or relating to the Dividend Equivalents by withholding from the amounts payable in respect of the Dividend Equivalents an amount equal to the withholding obligations for Tax-Related Items.

(c) In all cases, the Company may withhold or account for Tax-Related Items by considering statutory or other withholding rates, including the maximum rates applicable in Participant's jurisdiction(s). In the event of over-withholding, Participant may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent in Shares) or, if not refunded, Participant may seek a refund from the local tax authorities. In the event of under-withholding, Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Service Recipient. If the obligations for Tax-Related Items in connection with the RSUs are satisfied by withholding Shares, for tax purposes, Participant will be deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares is held back solely for the purpose of satisfying the withholding obligations for the Tax-Related Items.

(d) Participant agrees to pay the Company or the Service Recipient any amount of Tax-Related Items that cannot be satisfied by the means described above in Section 3.2(b). The Company shall not be obligated to deliver any Shares to Participant or Participant's legal representative unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of any withholding obligation for Tax-Related Items resulting from the RSUs, the Dividend Equivalents or the Shares subject to the RSUs.

#### **ARTICLE IV. OTHER PROVISIONS**

1.1 No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan

or Participant's receipt, vesting or settlement of the RSUs, the Shares subject to the RSUs or the Dividend Equivalents or the sale of such Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan and the RSUs and Dividend Equivalents before accepting the RSUs and Dividend Equivalents or otherwise taking any action related to the RSUs and/or Dividend Equivalents or the Plan.

1.2 Nature of the Grant. By accepting the RSUs and Dividend Equivalents, Participant acknowledges and agrees that:

(a) the Plan is established voluntarily by the Company, is wholly discretionary in nature and may be modified, amended, suspended, or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the RSUs and tandem Dividend Equivalents is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units or dividend equivalents, or benefits in lieu of restricted stock units or dividend equivalents, even if restricted stock units or dividend equivalents have been granted in the past;

(c) all decisions with respect to future grants of restricted stock units and/or dividend equivalents or other grants, if any, will be at the sole discretion of the Company;

(d) Participant is voluntarily participating in the Plan;

(e) the RSUs and Dividend Equivalents and any Shares acquired under the Plan, and the income from and value of the same, are not intended to replace any pension rights or compensation;

(f) the RSUs and Dividend Equivalents and any Shares acquired under the Plan, and the income from and value of the same, are not part of normal or expected compensation for any purposes, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar payments;

(g) the future value of the Shares underlying the RSUs is unknown, indeterminable, and cannot be predicted with certainty;

(h) no claim or entitlement to compensation or damages shall arise from forfeiture of any portion of the RSUs and Dividend Equivalents resulting from Participant's Termination of Service (for any reason whatsoever and regardless of whether or not later found to be invalid or in breach of Applicable Laws in the jurisdiction where Participant is providing service or the terms of Participant's employment or other service agreement, if any), Participant's breach of any Restrictive Covenants and/or the application of any recoupment, recovery, or clawback policy otherwise required by Applicable Laws;

(i) for purposes of the RSUs and Dividend Equivalents, the Participant's employment or other Service Provider status will be considered terminated as of the date he or she is no longer actively providing services to the Company, the Service Recipient or any other Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of his or her employment agreement, if any), and unless otherwise expressly determined by the Company, Participant's right to vest in the RSUs or Dividend Equivalents under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., the Participant's period of Service Provider status would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where he or she is employed or providing services or the terms of Participant's employment or service agreement, if any); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the RSUs and Dividend Equivalents (including whether Participant may still be considered to be providing services while on a leave of absence);

(j) unless otherwise agreed with the Company in writing, the RSUs, the Shares subject to the RSUs, and the Dividend Equivalents and the income from and value of the same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Subsidiary or other affiliate;

(k) unless otherwise provided in the Plan or by the Company in its discretion, the RSUs and Dividend Equivalents and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs, the Dividend Equivalents and/or any such other benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(l) neither the Company nor any Subsidiary thereof shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the U.S. dollar that may affect the value of the RSUs or Dividend Equivalents or of any amounts due to Participant pursuant to the vesting of the RSUs or Dividend Equivalents or the subsequent sale of any Shares acquired upon settlement of the RSUs.

1.3 Adjustments. Participant acknowledges that the RSUs, the Shares subject to the RSUs and the Dividend Equivalents are subject to adjustment, modification and/or termination in certain events as provided in this Agreement and the Plan.

1.4 Clawback. The RSUs, Dividend Equivalents and the Shares issuable hereunder shall be subject to any Company clawback or recoupment policy in effect on the Grant Date or as may be adopted or maintained by the Company following the Grant Date, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder.

1.5 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the "Stock Administration" at the Company's principal office. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the Designated Beneficiary) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, or a comparable non-U.S. postal service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

1.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

1.7 Conformity to Applicable Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws. Notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon settlement of the RSUs prior to the completion of any registration or qualification of the Shares under any U.S. or non-U.S. federal, state or local securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("**SEC**") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any U.S. or non-U.S. federal, state or local governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC or any other securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, Participant agrees that the Company shall have unilateral authority to amend the Plan and this Agreement without his or her consent to the extent necessary to comply with Applicable Laws applicable to issuance of Shares.



1.8 Successors and Assigns. The Company may assign any of its rights under this Agreement to a single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

1.9 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the RSUs and Dividend Equivalents will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

1.10 Entire Agreement; Amendment. The Plan, the Grant Notice and this Agreement (including the Appendix and any other exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof; provided, however, that this Agreement shall not modify and shall be subject to the terms and conditions of any employment, consulting and/or severance agreement between the Company or a Subsidiary thereof and Participant in effect as of the date a determination is to be made under this Agreement. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; provided, however, that except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall materially and adversely affect the RSUs or Dividend Equivalents without the prior written consent of Participant.

1.11 Severability. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

1.12 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents, and rights no greater than the right to receive cash or the Shares as a general unsecured creditor with respect to the RSUs and Dividend Equivalents, as and when settled pursuant to the terms of this Agreement.

1.13 Not a Contract of Employment of Service. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company, the Service Recipient or any other Subsidiary or interferes with or restricts in any way the rights of the Company, the Service Recipient and any other Subsidiary, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company, the Service Recipient or another Subsidiary and Participant.

1.14 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

1.15 Appendix. Notwithstanding any provision in this Agreement, the RSUs shall be subject to any additional terms and conditions set forth in the Appendix to this Agreement for Participant's country. Moreover, if Participant relocates to any of the countries included in the Appendix, the additional terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

1.16 Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

1.17 Language. Participant acknowledges that Participant is sufficiently proficient in English or has had an opportunity to consult with an advisor who is sufficiently proficient in the English language, and understands the content of the Grant Notice, the Agreement and other Plan materials. If Participant has received the Grant Notice or this Agreement or any other document related to the Plan and/or the RSUs translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control, unless otherwise required by Applicable Laws.

1.18 Governing Law and Venue. The RSUs, Dividend Equivalents, the Grant Notice and this Agreement shall be governed by and interpreted in accordance with the laws of the State of California, without regard to the conflict of laws principles thereof. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

1.19 Imposition of other Requirements. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the RSUs and Dividend Equivalents, and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

1.20 Insider Trading/Market Abuse Laws. Depending on Participant's country or broker's country, or the country in which the Shares are listed, Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, which may affect Participant's ability to accept, acquire, sell or attempt to sell, or otherwise dispose of the Shares, rights to Shares (e.g., the RSUs) or rights linked to the value of Shares, during such times as Participant is considered to have "inside information" regarding the Company (as defined by Applicable Laws). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before possessing inside information. Furthermore, Participant may be prohibited from (i) disclosing insider information to any third party, including fellow Employees (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them to otherwise buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is Participant's responsibility to comply with any applicable restrictions, and Participant should speak to his or her personal advisor on this matter.

1.21 Foreign Asset/Account Reporting, Exchange Control and Tax Reporting. Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of Shares or cash (including dividends and the proceeds arising from the sale of Shares) derived from his or her participation in the Plan in, to and/or from a brokerage/bank account or legal entity located outside Participant's country. Applicable Laws may require that Participant report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. Participant also may be required to repatriate sale proceeds or other funds received as a result of Participant's participation in the Plan to his or her country through a designated bank or broker within a certain time after receipt. Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and should consult his or her personal legal advisor on this matter.

\* \* \* \* \*

**APPENDIX****KLA CORPORATION  
2023 INCENTIVE AWARD PLAN  
GLOBAL RESTRICTED STOCK UNIT AGREEMENT  
(WITH DIVIDEND EQUIVALENTS)**

Capitalized terms used but not defined in this Appendix shall have the meanings assigned to them in the Restricted Stock Unit Award Notification, the Global Restricted Stock Unit Agreement (the “*RSU Agreement*”) and the Plan.

***Terms and Conditions***

This Appendix includes additional terms and conditions that govern the RSUs and Dividend Equivalents granted to Participant under the Plan if Participant resides and/or works in any of the countries listed below. If Participant is a citizen or resident of a country other than the one in which Participant is currently working and/or residing, transfers to another country after the grant date or is considered a resident of another country for local law purposes, the Company shall, in its discretion, determine the extent to which the additional terms and conditions contained herein apply to Participant.

***Notifications***

This Appendix also includes information regarding exchange controls and certain other issues of which Participant should be aware with respect to Participant’s participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of October 2023. Such laws are often complex and change frequently, and results may be different based on the particular facts and circumstances. As a result, the Company strongly recommends that Participant not rely on the information noted herein as the only source of information relating to the consequences of Participant’s participation in the Plan because the information may be out of date at the time Participant vests in the RSUs or Dividend Equivalents, acquires Shares or sells Shares he or she acquires under the Plan.

In addition, the information is general in nature and may not apply to Participant’s particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in Participant’s country apply to his or her specific situation.

Finally, Participant understands that if he or she is a citizen or resident of a country other than the one in which Participant currently resides and/or works, transfers to another country after the grant date, or is considered a resident of another country for local law purposes, the notifications contained herein may not apply to Participant in the same manner.

**Austria****Notifications****Exchange Control Information**

If Participant holds securities (including Shares acquired under the Plan) or cash (including proceeds from the sale of Shares) outside of Austria, Participant may be subject to reporting obligations to the Austrian National Bank. If the value of the Shares meets or exceeds a certain threshold, Participant must report the securities held on a quarterly basis to the Austrian National Bank as of the last day of the quarter, on or before the 15th day of the month following the end of the calendar quarter. In all other cases, an annual reporting obligation applies and the report has to be filed as of December 31 on or before January 31 of the following year using the form P2. Where the cash amounts held outside of Austria meets or exceeds a certain threshold, monthly reporting obligations apply as explained in the next paragraph.

If Participant sells Shares, or receives any cash dividends, Participant may have exchange control obligations if Participant holds the cash proceeds outside of Austria. If the transaction volume of all of Participant's accounts abroad meets or exceeds a certain threshold, Participant must report to the Austrian National Bank the movements and balances of all accounts on a monthly basis, as of the last day of the month, on or before the 15th day of the following month, on the prescribed form (*Meldungen SI-Forderungen und/oder SI-Verpflichtungen*).

*Participant should consult with Participant's personal tax advisor to determine Participant's personal reporting obligations.*

**Belgium****Notifications****Annual Securities Account Tax**

An annual securities accounts tax may be payable if the total value of securities held in a Belgian or foreign securities account (e.g., Shares acquired under the Plan) exceeds a certain threshold on four reference dates within the relevant reporting period (i.e., December 31, March 31, June 30 and September 30). In such case, the tax will be due on the value of the qualifying securities held in such account. *Participant should consult with Participant's personal tax advisor regarding the application of this tax.*

**Stock Exchange Tax**

A Belgian stock exchange tax may be payable upon the sale of Shares. If applicable, Belgian residents will be responsible for filing the stock exchange tax return and paying the stock exchange tax due by the end of the second month following the month in which the Shares are sold, unless the stock exchange tax is paid by the financial intermediary involved in the sale of the Shares.

**Foreign Asset/Account Reporting Information**

Belgian residents are required to report any security or bank account (including a brokerage account) maintained outside of Belgium on their annual tax return. The first time a Belgian resident reports the foreign security and/or bank account on their annual tax return, they will have to provide the National Bank of Belgium Central Contact Point with the account number, the name of the bank and the country in which the account was opened in a separate form. The form, as well as information on how to complete

it, can be found on the website of the National Bank of Belgium, www.nbb.be, under the *Kredietcentrales / Centrales des Crédits* caption.

## **China**

### ***Terms and Conditions***

*The following terms and conditions will be applicable to Participant to the extent that the Company, in its discretion, determines that his or her participation in the Plan will be subject to exchange control restrictions in the People's Republic of China ("PRC"), as implemented by the PRC State Administration of Foreign Exchange ("SAFE").*

### **SAFE Approval Requirement**

Notwithstanding anything to the contrary in the RSU Agreement or the Plan, no Shares will be issued to Participant unless and until all necessary exchange control or other approvals with respect to the Plan have been obtained from SAFE or its local counterpart ("**SAFE Approval**") and provided such SAFE Approval is maintained through each vesting date. In the event that SAFE Approval has not been obtained or is not maintained prior to any vesting date(s), such portion of the RSUs will not vest until such SAFE Approval is obtained (the "**Actual Vesting Date**"). If Participant's status as a Service Provider ceases prior to the Actual Vesting Date, Participant will not be entitled to vest in any portion of the RSUs and the RSUs will be forfeited without any liability to the Company or any Subsidiary.

### **Stock Must Remain With Company's Designated Broker**

Participant agrees to hold any Shares received upon settlement of the RSUs with the Company's designated broker until the Shares are sold. The limitation shall apply to all Shares issued to Participant under the Plan, whether or not Participant remains a Service Provider.

### **Forced Sale Restriction**

Notwithstanding anything to the contrary in the RSU Agreement or the Plan, to administer participation in the Plan and to comply with applicable SAFE requirements, Participant acknowledges and agrees that the Company, Fidelity and/or any other designated broker is authorized to direct the sale of any and all Shares acquired under the Plan at any time after acquisition of such Shares. In any event, if Participant experiences a Termination of Service, Participant will be required to sell all Shares acquired upon settlement of the RSUs within such time period as required by the Company in accordance with SAFE requirements. Any Shares remaining in the brokerage account at the end of this period shall be sold by the broker (on behalf of Participant and Participant hereby authorizes such sale). Participant agrees to sign any additional agreements, forms and/or consents that reasonably may be requested by the Company (or the Company's designated broker) to effectuate the sale of Shares (including, without limitation, as to the transfer of the sale proceeds and other exchange control matters noted below) and shall otherwise cooperate with the Company with respect to such matters. Participant acknowledges that neither the Company nor the designated broker is under any obligation to arrange for the sale of Shares at any particular price (it being understood that the sale will occur in the market) and that broker's fees and similar expenses may be incurred in any such sale. In any event, when the Shares are sold, the sale proceeds, less any withholding for Tax-Related Items, any broker's fees or commissions, and any similar

expenses of the sale will be remitted to Participant in accordance with applicable exchange control laws and regulations.

#### **Dividend Reinvestment**

Notwithstanding anything to the contrary in the RSU Agreement or the Plan, in the event that Participant acquires Shares under the Plan and in the event that the Company, in its discretion, declares payment of any cash dividends on such Shares, Participant acknowledges and agrees that the Company, Fidelity and/or any other designated broker may use such cash dividends to automatically purchase additional Shares to be issued into Participant's brokerage account. Any additional Shares acquired pursuant to the preceding sentence are subject to the same exchange control requirements as other Shares Participant may hold. Any cash dividends not used to purchase Shares or pay associated costs (e.g., broker fees) will be immediately repatriated to China pursuant to the procedures set by the Company in compliance with SAFE requirements.

#### **Exchange Control Restrictions**

By participating in the Plan, Participant understands and agrees that he or she will be required to immediately repatriate to the PRC all cash proceeds due to Participant under the Plan, including any remaining cash dividends, dividend equivalents or sale proceeds from the mandatory or voluntary sale of Shares. Participant understands that such repatriation will need to be effected through a special exchange control account established by the Company or a Subsidiary in the PRC, and Participant hereby consents and agrees that the proceeds may be transferred to such special account prior to being delivered to Participant.

Participant understands that the cash proceeds may be paid to him or her in U.S. dollars or in local currency, at the Company's discretion. If the proceeds are paid in U.S. dollars, Participant understands that he or she will be required to establish a U.S. dollar bank account in the PRC so the proceeds may be deposited into this account. If the proceeds are paid in local currency, Participant acknowledges that neither the Company, the Service Recipient nor any other Subsidiary is under an obligation to secure any particular currency conversion rate and that the Company (or the Service Recipient or any other Subsidiary) may face delays in converting the proceeds to local currency due to exchange control requirements in the PRC. Participant agrees to bear any currency fluctuation risk between the time the Shares are sold and the time the proceeds are converted into local currency and distributed to Participant.

Participant agrees to comply with any other requirements that may be imposed by the Company to facilitate compliance with exchange control requirements in China.

#### **Czech Republic**

##### *Notifications*

#### **Exchange Control Information**

Participant may be required to notify the Czech National Bank that Participant acquired Shares under the Plan and/or that Participant maintains a foreign account. Such notification will be required if the aggregate value of Participant's foreign direct investments is CZK 2,500,000 or more, Participant has a certain threshold of foreign financial assets, or Participant is specifically requested to do so by the Czech

National Bank. *Participant should consult with Participant's personal financial advisor regarding applicable reporting requirements.*

**Denmark**

***Terms and Conditions***

**Danish Stock Option Act**

By accepting this Award, Participant acknowledges having received a Danish translation of an Employer Statement, attached after these country-specific terms for Denmark, which is being provided to comply with the Danish Stock Option Act, as amended January 1, 2019.

***Notifications***

**Foreign Asset/Account Reporting**

The requirement to report certain information to the Danish Tax Administration via Form V or K was eliminated effective January 1, 2019. However, Danish residents must still report the foreign bank/broker accounts and their deposits, and Shares held in a foreign bank or broker in their tax return under the section on foreign affairs and income.

**KLA Corporation**  
**2023 INCENTIVE AWARD PLAN**  
**GLOBAL RESTRICTED STOCK UNIT AGREEMENT**  
**EMPLOYER STATEMENT**

Pursuant to Section 3(1) of the Act on Stock Options in employment relations, as amended with effect from 1 January 2019 (the “*Stock Option Act*”), you are entitled to receive the following information regarding the KLA Corporation (the “*Company*”) 2023 Incentive Award Plan, as amended and restated (the “*Plan*”) in a separate written statement.

This statement contains information applicable to your participation in the Plan, as required under the Stock Option Act. Additional terms and conditions of the Plan are described in the Plan and other grant materials, which have been made available to you. In the event of a conflict between a provision contained in this Employer Statement and provisions contained in the Plan materials, this Employer Statement shall prevail. Capitalized terms used but not defined herein, shall have the same meaning as terms defined in the Plan.

**1. Date of grant of Restricted Stock Units (“RSUs”) under the Plan**

The grant date of your RSUs is the date on which the Board of Directors of the Company (or a committee thereof) approved the RSU grant and determined it would be effective.

**2. Terms or conditions for grant of RSUs**

The Plan is offered at the discretion of the Board. The Board may terminate or amend the Plan at any time and without the consent of any participating employees.

**3. Vesting Date or Period**

Your RSUs will vest over a period of time (“*vesting period*”), provided you remain employed by or in the service of the Company or the Employer and any performance or other vesting conditions set forth in the grant materials are satisfied, unless the RSUs are vested or terminated earlier for the reasons set forth in the Plan and subject to section 5 of this statement.

**4. Exercise price**

No exercise price is payable upon the settlement of your RSUs in Shares in accordance with the vesting and settlement schedule described in the grant materials.

**5. Your rights upon termination of employment**

If you terminate service for any or no reason prior to vesting, the unvested RSUs will thereupon be forfeited at no cost to the Company and without any payment (in cash or otherwise) to you.

**6. Financial aspects of participating in the Plan**

The grant of RSUs has no immediate financial consequences for you. The value of the RSUs is not taken into account when calculating holiday allowances, pension contributions or other statutory consideration calculated on the basis of salary.

Shares are financial instruments and investing in them will always have financial risk. The future value of Shares is unknown and cannot be predicted with certainty. The possibility of profit at the time you sell my shares will not only be dependent on the Company’s financial development, but also on the general development of the stock market, among other things.

KLA Corporation  
Milpitas, California, United States of America



**KLA Corporation**  
**2023 INCENTIVE AWARD PLAN**  
**GLOBAL RESTRICTED STOCK UNIT AGREEMENT**  
**EMPLOYER STATEMENT**

I henhold til § 3, stk. 1, i lov om brug af køberet eller tegningsret m.v. i ansættelsesforhold som ændret med virkning fra 1. januar 2019 ("*Aktieoptionsloven*") er du berettiget til i en særskilt skriftlig erklæring at modtage følgende oplysninger vedrørende KLA Corporation ("*Selskabets*") 2023 Incentive Award Plan, as amended and restated (herefter "*Ordningen*").

Denne erklæring indeholder de i henhold til Aktieoptionsloven krævede oplysninger vedrørende din deltagelse i Ordningen. Yderligere vilkår og betingelser for Ordningen er beskrevet i Ordningen og det andet tildelingsmateriale, som du har fået udleveret. I tilfælde af uoverensstemmelser mellem en bestemmelse i denne Arbejdsgivererklæring og bestemmelserne i tilmeldingsmaterialet har denne Arbejdsgivererklæring forrang. Begreber, der står med stort begyndelsesbogstav i denne Arbejdsgivererklæring, men som ikke er defineret heri, har samme betydning som de begreber, der er defineret i Ordningen.

#### **1. Tildelingstidspunkt**

Tidspunktet for tildelingen af dine RSU'er er den dato, hvor Selskabets Bestyrelse (eller det af Bestyrelsen nedsatte vederlagsudvalg) godkendte tildelingen og fastslog gyldigheden deraf.

#### **2. Betingelser for tildeling af RSU'er**

Ordningen tilbydes efter Bestyrelsens skøn. Bestyrelsen kan til enhver tid ophæve eller ændre Ordningen uden de deltagende medarbejders samtykke.

#### **3. Modningstidspunkt eller-periode**

Dine RSU'er modnes over en periode ("*modningsperioden*"), forudsat at du fortsat er ansat i eller arbejder for Selskabet eller Arbejdsgiveren, og at alle de i tildelingsmaterialet beskrevne modningsbetingelser er opfyldt, medmindre RSU'erne modnes eller bortfalder på et tidligere tidspunkt af de i Ordningen anførte årsager og med forbehold for pkt. 5 i denne erklæring.

#### **4. Udnyttelseskurs**

Der skal ikke betales nogen udnyttelseskurs i forbindelse med konverteringen af dine RSU'er til Aktier i overensstemmelse med den det andet tildelingsmateriale beskrevne modningsplan.

#### **5. Dine rettigheder ved fratræden**

Hvis dit ansættelsesforhold på noget tidspunkt inden modning ophører, uanset årsag, bortfalder de ikke-modnede RSU'er, uden omkostninger for Selskabet, og uden at du modtager betaling af nogen art, hverken kontant eller i øvrigt.

#### **6. Økonomiske aspekter ved deltagelse i Ordningen**

Tildelingen af RSU'er har ingen umiddelbare økonomiske konsekvenser for dig. Værdien af RSU'erne indgår ikke i beregningen af feriepenge, pensionsbidrag eller øvrige lovbestemte vederlagsafhængige ydelser.

Aktier er finansielle instrumenter, og investering i dem vil altid være forbundet med en økonomisk risiko. Den fremtidige værdi af Aktier er ukendt og kan ikke forudsiges med sikkerhed. Muligheden for en gevinst på det tidspunkt, hvor du sælger dine Aktier, afhænger ikke kun af Selskabets økonomiske udvikling, men også bl.a. af den generelle udvikling på aktiemarkedet.

KLA Corporation  
Milpitas, California, United States of America

**France*****Terms and Conditions*****Tax Information**

The RSUs are not granted as qualified awards and are not intended to qualify for the specific tax and social security treatment available pursuant to Section L. 225-197-1 to L. 225-197-5 and Sections L. 22-10-59 to L. 22-10-60 of the French Commercial Code, as amended.

**Language Consent**

By accepting the RSUs, Participant confirms having read and understood the documents relating to this grant which were provided in the English language. Participant accepts the terms of these documents accordingly.

***Consentement Relatif à la Langue Utilisée***

*En acceptant cette attribution, le Participant confirme avoir lu et compris les documents relatifs à cette attribution qui ont été distribués en langue anglaise. Le Participant accepte les termes de ces documents en conséquence.*

***Notifications*****Foreign Asset/Account Reporting Information**

French residents are required to report annually any Shares and bank accounts held outside France, including the accounts that were opened, used and/or closed during the tax year, to the French tax authorities, on an annual basis on a special Form N° 3916, together with their personal income tax return. Failure to report triggers a significant penalty.

**Exchange Control Information**

The value of any cash or securities imported to or exported from France without the use of a financial institution must be reported to the customs and excise authorities when the value of such cash or securities is equal to or greater than a certain amount. Participant should consult with their personal financial advisor for further details regarding this requirement.

**Germany*****Notifications*****Exchange Control Information**

Cross-border payments in excess of €12,500 must be reported to the German Federal Bank (*Bundesbank*). The Service Recipient will report Participant's acquisition of Shares to Bundesbank if the value of all Shares acquired by participants in Germany exceeds this amount. If Participant makes or receives a payment in excess of this amount (including if Participant sells Shares via a foreign broker, bank or service provider and receives proceeds in excess of this amount, or if Participant receives dividends or Dividend Equivalents), Participant must report the payment to the Bundesbank, either electronically using the "General Statistics Reporting Portal" ("*Allgemeines Meldeportal Statistik*") available on the Bundesbank website ([www.bundesbank.de](http://www.bundesbank.de)) or via such other method (*e.g.*, by email or telephone) as is permitted or required by the Bundesbank. The report must be submitted monthly or within other such timing as is permitted or required by the Bundesbank. *Participants should consult their personal legal advisors to ensure compliance with applicable reporting requirements.*

**Foreign Asset/Account Reporting Information**

If Participant's acquisition of Shares under the Plan leads to a so-called qualified participation at any point during the calendar year, Participant will need to report the acquisition when he or she files his or her tax return for the relevant year. A qualified participation is attained only if (i) Participant owns at least 1% of the Company and the value of the Shares acquired exceeds EUR 150,000 or (ii) in the unlikely event Participant holds Shares exceeding 10% of Common Stock.

## **Hong Kong**

### *Notifications*

#### **Securities Law Information**

*WARNING: Participant understands that the contents of the RSU Agreement, the Plan and other incidental communication materials, have not been reviewed by any regulatory authority in Hong Kong. Participant understands and acknowledges that he or she should exercise caution in relation to the offer. If Participant is in any doubt about any of the contents of the Plan, Participant understands that he or she should obtain independent professional advice. Participant understands that neither this Award nor the issuance of Shares upon vesting constitutes a public offer of securities under Hong Kong law and that this grant is available only to Service Providers. Participant understands that the RSU Agreement, the Plan and other incidental communication materials that Participant may receive (i) are not intended to constitute a "prospectus" for a public offering of securities under applicable securities legislation in Hong Kong and (ii) are intended only for the personal use of each eligible Service Provider and may not be distributed to any other person.*

## **India**

### *Notifications*

#### **Exchange Control Information**

Indian residents are required to repatriate to India any cash amounts received in connection with their participation in the Plan within such time period as is prescribed under applicable Indian exchange control laws, as may be amended from time to time (e.g., currently, any proceeds from dividends paid on Shares must be repatriated to India within 180 days of receipt and any proceeds from the sale of Shares must be repatriated within 90 days of receipt). Upon repatriation, Indian residents should obtain a foreign inward remittance certificate ("**FIRC**") from the bank where they deposit the foreign currency and should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Service Recipient requests proof of repatriation.

#### **Foreign Asset/Account Reporting Information**

Indian residents are required to declare the following items in their annual tax returns: (i) any foreign assets held by them (including Shares acquired under the Plan), and (ii) any foreign financial assets (including Shares held outside India). Indian residents are responsible for complying with any and all applicable exchange control and reporting laws in India and should consult with a personal tax advisors in this regard.

**Ireland***Notifications***Director Notification Obligation**

If Participant is a director, shadow director<sup>1</sup> or secretary of an Irish Subsidiary, he or she will not be subject to the notification requirements under the Companies Act, 2014 unless Participant's shareholding interests meet or exceed 1% of Common Stock.

**Israel***Terms and Conditions***Nature of Award**

By accepting this Award, Participant understands and agrees that the RSUs are offered subject to and in accordance with the Supplement for Israeli Employees (the "*Israeli Supplement*") and that the Award is intended to be a Section 102 capital gains route grant. Notwithstanding the foregoing, the Company does not undertake to maintain the qualified status of the RSUs and Participant acknowledges that he or she will not be entitled to damages of any kind if the RSUs become disqualified and no longer qualify as a Section 102 capital gains route grant. In the event of any inconsistencies between the Israeli Supplement, the Restricted Stock Unit Award Notification, the RSU Agreement and/or the Plan, the terms of the Israeli Supplement will govern.

Further, to the extent requested by the Company or the Service Recipient, Participant agrees to execute any letter or other agreement in connection with the grant of the RSUs or any future RSUs granted under the Israeli Supplement. If Participant fails to comply with such request, the Award may not qualify as a Section 102 capital gains route grant.

**Trust Arrangement**

Participant acknowledges and agrees that any Shares issued upon vesting of the RSUs may be subject to a supervisory trust arrangement with the Company's designated trustee in Israel, currently Investock Trustee Company (Israel) Ltd. (the "*Trustee*") in accordance with the terms of the trust agreement between the Company and the Trustee. Participant further agrees that such Shares will be subject to the Lock-Up Period (as defined in the Israeli Supplement), which shall be 24 months from the date of grant. The Company may, in its sole discretion, replace the Trustee from time to time and instruct the transfer of all RSUs and Shares held and/or administered by such Trustee at such time to its successor and the provisions of the RSU Agreement shall apply to the new Trustee *mutatis mutandis*.

**Restriction on Sale**

Participant acknowledges that any Shares underlying the RSUs may not be sold or otherwise transferred prior to the expiration of the Lock-Up Period in order to qualify for tax treatment under the Section 102

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<sup>1</sup> A shadow director is an individual who is not on the board of directors of the Irish Parent or Subsidiary but who has sufficient control so that the board of directors of the Irish Parent or Subsidiary acts in accordance with the directions and instructions of the individual.

capital gains route. Accordingly, Participant shall not dispose of (or request the Trustee to dispose of) any such Shares prior to the expiration of the Lock-Up Period, other than as permitted by applicable law. For purposes of this Appendix for Israel, “dispose” shall mean any sale, transfer or other disposal of the Shares by Participant (including by means of an instruction by Participant to the designated broker) or the Trustee, including a release of such Shares from the Trustee to Participant.

### **Tax Obligations**

The following provision supplements paragraph 8 of the RSU Agreement:

The fair market value of the RSUs on the date of grant (as computed in accordance with the provisions relating to the Section 102 capital gains route) shall be subject to taxation in Israel in accordance with ordinary income tax principles. Moreover, in the event that Participant disposes of any Shares underlying the RSUs prior to the expiration of the Lock-Up Period, Participant acknowledges and agrees that any additional gains from the sale of such Shares will not qualify for tax treatment under the Section 102 capital gains route and will be subject to taxation in Israel in accordance with ordinary income tax principles. Further, Participant acknowledges and agrees that he or she will be liable for the Service Recipient’s component of payments to the Israeli National Insurance Institute (to the extent such payments by the Service Recipient are required).

Participant further agrees that the Trustee may act on behalf of the Company or the Service Recipient, as applicable, to satisfy any obligation to withhold Tax-Related Items applicable to Participant in connection with the RSUs granted under the Israeli Supplement.

### *Notifications*

#### **Securities Law Information**

This offer of RSUs does not constitute a public offering under the Securities Law, 1968.

#### **Italy**

### *Terms and Conditions*

#### **Plan Document Acknowledgment**

In accepting the Award, Participant acknowledges that he or she has received a copy of the Plan and the RSU Agreement and has reviewed the Plan and the RSU Agreement in their entirety and fully understands and accepts all provisions of the Plan and the RSU Agreement.

Participant further acknowledges that he or she has read and specifically and expressly approves the following paragraphs of the RSU Agreement: Responsibility for Taxes; Not a Contract of Employment; Governing Law and Venue; Nature of Grant; Language; and Imposition of Other Requirements.

### *Notifications*

#### **Foreign Asset/Account Reporting Information**

To the extent that Participant holds investments abroad or foreign financial assets that may generate taxable income in Italy (such as Shares acquired under the Plan) during the calendar year, Participant is required to report them on his or her annual tax return (UNICO Form, RW Schedule), or on a special form if no tax return is due.

## **Japan**

### ***Notifications***

#### **Exchange Control Information**

If Participant acquires Shares valued at more than ¥100,000,000 in a single transaction, Participant must file a Securities Acquisition Report with the Ministry of Finance through the Bank of Japan within 20 days of the acquisition of the Shares.

#### **Foreign Asset/Account Reporting Information**

Japanese residents are required to report details of any assets held outside of Japan as of December 31, including Shares acquired under the Plan, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15 each year. Participant is responsible for complying with this reporting obligation and should confer with his or her personal tax advisor in this regard.

## **Korea**

### ***Notifications***

#### **Foreign Asset/Account Reporting Information**

Korean residents must declare all foreign financial accounts (*e.g.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds a prescribed amount on any month-end date during a calendar year. Participant should consult with a personal tax advisor to determine how to value his or her foreign accounts for purposes of this reporting requirement and whether Participant is required to file a report with respect to such accounts.

#### **Sale of Shares**

Korean residents may not be permitted to sell foreign securities (such as the Shares) through non-Korean brokers (such as Fidelity) or deposit funds resulting from the sale of Shares in an overseas financial institution. Therefore, prior to selling the Shares acquired under the Plan, Participant may be required to transfer the Shares to a domestic investment broker. Participant acknowledges that Participant is solely responsible for engaging such domestic broker. Because the exchange control regulations may change without notice, Participant should consult with a personal legal advisor to ensure compliance with any exchange control regulations applicable to any aspect of their participation in the Plan.

## **Malaysia**

### ***Notifications***

#### **Director Notification Obligation**

If Participant is a director of a Subsidiary in Malaysia, he or she is subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify such Malaysian Subsidiary in writing when Participant receives or disposes of an interest (*e.g.*, RSUs or

Shares) in the Company or any related company. Such notifications must be made within fourteen days of receiving or disposing of any interest in the Company or any Subsidiary.

### **Netherlands**

There are no country-specific terms or notifications.

### **Poland**

#### ***Notifications***

#### **Exchange Control Information**

If Participant holds Shares acquired under the Plan and/or maintains a bank account abroad and the aggregate value of shares and cash held in such foreign accounts exceeds PLN 7 million, Participant must file reports on the transactions and balances of the accounts on a quarterly basis to the National Bank of Poland.

If Participant transfers funds exceeding EUR 15,000 in a single transaction, Participant is required to do so through a bank account in Poland. Participant is required to retain all documents connected with foreign exchange transactions for a period of five (5) years, calculated from the end of the year when the foreign exchange transactions were made. *Participant should consult with Participant's personal legal advisor to determine the applicable remittance responsibilities.*

### **Portugal**

#### ***Terms and Conditions***

#### **Language Consent**

Participant hereby expressly declares that he or she has full knowledge of the English language and has read, understood and freely accepted and agreed with the terms and conditions established in the Plan and the RSU Agreement.

#### ***Conhecimento da Língua***

*Pela presente, o Participante declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo (RSU Agreement em inglês).*

### **Singapore**

#### ***Terms and Conditions***

#### **Sale Restriction**

Participant agrees that any Shares acquired under the Plan will not be offered for sale or sold in Singapore prior to the six-month anniversary of the date of grant unless such sale or offer in Singapore is made pursuant to the exemption under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("*SFA*").

#### ***Notifications***

### Securities Law Information

The grant of RSUs is being made pursuant to the “*Qualifying Person*” exemption under section 273(1)(f) of the SFA under which it is exempt from the prospectus and registration requirements and is not made to Participant with a view to the underlying Shares being subsequently offered for sale to any other party. The Plan has not been, and will not be, lodged or registered as a prospectus with the Monetary Authority of Singapore.

### Director Notification Obligation

If Participant is a director (including an alternate, substitute or shadow director<sup>2</sup>) of a Subsidiary in Singapore, he or she is subject to certain notification requirements under the Singapore Companies Act, regardless of whether Participant is resident or employed in Singapore. Among these requirements is an obligation to notify the Subsidiary in Singapore in writing if Participant (i) receives an interest (e.g., RSUs or Shares) in the Company or any Subsidiary, (ii) sells Shares and/or (iii) becomes a director. If Participant is the chief executive officer (“*CEO*”) of a Subsidiary in Singapore and the above notification requirements are determined to apply to the CEO of a Singapore Subsidiary, the above notification requirements also may apply.

### Taiwan

#### *Notifications*

### Securities Law Information

The offer of participation in the Plan is available only to eligible Service Providers. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

### Exchange Control Information

Taiwanese residents may acquire and remit foreign currency (including the proceeds from the sale of Shares) into and out of Taiwan up to USD 5,000,000 per year without submission of supporting documentation. If the transaction amount is TWD 500,000 or more in a single transaction, Taiwanese residents may be required to submit a foreign exchange transaction form and provide supporting documentation to the satisfaction of the remitting bank.

### Thailand

#### *Notifications*

### Exchange Control Information

If Participant receives funds in connection with the Plan (e.g., dividends or sale proceeds) with a value equal to or greater than USD 1,000,000 per transaction, Participant is required to immediately repatriate such funds to Thailand, unless Participant can rely on any applicable exemptions (e.g. where the funds will be used offshore for any permissible purposes under exchange control regulations and the relevant form and supporting documents have been submitted to a commercial bank in Thailand). Any foreign currency repatriated to Thailand must be converted to Thai Baht or deposited into a foreign currency deposit account opened with any commercial bank in Thailand acting as the authorized agent within 360 days from the date the funds are repatriated to Thailand. Participant is also required to inform the authorized agent of the details of the foreign currency transaction, including Participant’s identification information and the purpose of the transaction.

<sup>2</sup> A shadow director is an individual who is not on the board of directors of the Singapore Subsidiary but who has sufficient control so that the board of directors of the Singapore Subsidiary acts in accordance with the directions and instructions of the individual.



If Participant does not comply with the above obligations, Participant may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, Participant should consult Participant's legal advisor before selling any Shares (or receiving any other funds in connection with the Plan) to ensure compliance with current regulations. It is Participant's responsibility to comply with exchange control laws in Thailand, and neither the Company nor the Service Recipient will be liable for any fines or penalties resulting from failure to comply with applicable laws.

## **United Kingdom**

### ***Terms and Conditions***

#### **Responsibility for Taxes**

The following paragraphs supplement paragraph 3.2 of the RSU Agreement:

Without limitation to the Responsibility for Taxes section, Participant hereby agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Service Recipient or by HM Revenue & Customs ("**HMRC**") (or any other tax authority or any other relevant authority). Participant also hereby agrees to indemnify and keep indemnified the Company and the Service Recipient against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant's behalf.

Notwithstanding the foregoing, if Participant is an executive officer or director of the Company within the meaning of Section 13(k) of the Exchange Act, the terms of the immediately foregoing provision will not apply in case the indemnification is considered to be a loan. In this case and if the income tax is not collected from or paid by him or her within ninety days of the end of the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected income tax may constitute a benefit to Participant on which additional income tax and National Insurance Contributions ("**NICs**") may be payable. Participant acknowledges and agrees that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Service Recipient (as applicable) for the value of any employee NICs due on this additional benefit. Participant further acknowledges and agrees that the Company or the Service Recipient may obtain such amounts from Participant by any of the means described in Section 3.2 of the RSU Agreement.

#### **Joint Election**

As a condition of Participant's participation in the Plan and the vesting of the RSUs, Participant agrees to accept any liability for secondary Class 1 NICs (the "**Employer's Liability**") which may be payable by the Company and/or the Service Recipient in connection with the RSUs and any event giving rise to Tax-Related Items. To accomplish the foregoing, Participant agrees to execute a joint election with the Company and/or the Service Recipient (the "**Joint Election**"), the form of such Joint Election being formally approved by HMRC, and any other consent or elections required to accomplish the transfer of the Employer's Liability to Participant. Participant further agrees to execute such other joint elections as may be required between Participant and any successor to the Company and/or the Service Recipient. If Participant does not accept the grant (thereby entering into the Joint Election) prior to the vesting date of the RSUs, the RSUs will cease vesting and become null and void, and no Shares will be acquired under the Plan, without any liability to the Company, the Service Recipient or any other Subsidiary. Participant further agrees that the Company and/or the Service Recipient may collect the Employer's Liability by any of the means set forth in Section 3.2 of the RSU Agreement.

**Certification of Chief Executive Officer**  
**Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) As Adopted**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard P. Wallace, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of KLA Corporation;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 25, 2024

(Date)

/s/ RICHARD P. WALLACE

Richard P. Wallace  
President and Chief Executive Officer  
(Principal Executive Officer)

**Certification of Chief Financial Officer**  
**Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) As Adopted**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Bren D. Higgins, certify that:

- 1 I have reviewed this Quarterly Report on Form 10-Q of KLA Corporation;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 25, 2024  
\_\_\_\_\_  
(Date)

/s/ BREN D. HIGGINS  
\_\_\_\_\_  
Bren D. Higgins  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard P. Wallace, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of KLA Corporation on Form 10-Q for the fiscal quarter ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of KLA Corporation.

January 25, 2024

(Date)

By: /s/ RICHARD P. WALLACE

Name: Richard P. Wallace

Title: President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Bren D. Higgins, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of KLA Corporation on Form 10-Q for the fiscal quarter ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of KLA Corporation.

January 25, 2024

(Date)

By: /s/ BREN D. HIGGINS

Name: Bren D. Higgins

Title: Executive Vice President and Chief Financial Officer