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November 7, 2024

The Honorable Rick Wallace
President and Chief Executive
KLA Corporation
3050 Bowers Avenue,
Santa Clara, CA 95054

Dear Mr. Wallace,

We write to respectfully request information about KLA's operations and sales in the People's Republic of China (PRC). As one of the world's leading semiconductor manufacturing equipment (SME) firms, your company has information that will help us better understand the flow of SME to the PRC and its contributions to the PRC's rapid buildout of its semiconductor manufacturing industrial base.¹

The PRC is now the largest market for semiconductor manufacturing equipment, and it is stockpiling semiconductor manufacturing equipment to bolster its national self-sufficiency in a long-term competition with the United States.² Alarming reports show the PRC now purchases more semiconductor manufacturing equipment than the United States, South Korea, and Taiwan combined.³ This will not only help the PRC supply chips to Russia's war machine but also threaten its neighbors, including Taiwan, as the PRC will feel less constrained by the threat of American sanctions.⁴ It will also allow the PRC to continue to progress in critical fields such as artificial intelligence, which are at the very heart of the strategic competition between the United States and the PRC.

¹ Kleinhans, Goujon, Hess, et al. Rhodium Group "Running on Ice: China's Chipmakers in a Post-October 7 World." April 4, 2023. <https://rhg.com/research/running-on-ice/>

² Anniek Bao. CNBC. "China's binge-buying of chipmaking equipment could yield another overcapacity problem." September 2024. <https://www.cnbc.com/2024/09/04/chinas-binge-buying-of-chipmaking-equipment-could-yield-another-overcapacity-problem.html>

³ Cheng Ting-Fang and Lauly Li. Nikkei Asia. "China buys more chip tools than South Korea, Taiwan, U.S. combined." September 2024. <https://asia.nikkei.com/Business/Tech/Semiconductors/China-buys-more-chip-tools-than-South-Korea-Taiwan-U.S.-combined2>

⁴ Chris Miller. American Enterprise Institute. "The Impact of Semiconductor Sanctions on Russia." April 2024. <https://www.aei.org/research-products/report/the-impact-of-semiconductor-sanctions-on-russia/>

As you know, the United States is currently negotiating with Japan and the Netherlands to strengthen our export controls, with a particular focus on SME. It is our assessment that the current scale of Japanese, U.S., and Dutch SME technology exports to the PRC is significantly contributing to a growing global dependency on the PRC's semiconductor manufacturing capacity and enabling its industry to manufacture both advanced and legacy semiconductors.⁵ This trend is a direct threat to the United States and its allies' national and economic security.

We understand that some SME firms believe we should limit the expansion of, or even weaken these and existing and or future unilateral U.S. controls, due to perceived impacts on the competitiveness of this sector. However, enhanced export controls simply are not mutually exclusive with a robust and thriving SME industry. To the contrary, many of these SME firms are currently enjoying record stock prices, historic revenue, and benefitting from policies such as the CHIPS and Science Act that are driving growth across the semiconductor ecosystem.

As such, we respectfully request the following information by December 1, 2024:

1. For FY2022, FY2023, and YTD FY2024, please state the total dollar value of your company's:
 - People's Republic of China (PRC) revenue including sales of goods and services. Please also describe how your company defines total PRC revenue.
 - PRC revenue obtained from a transaction subject to an export license from the United States.
 - PRC revenue obtained from PRC entities that are currently on the BIS Entity List, Treasury NS-CMIC List, or DoD's 1260H List, as well as any entity that is directly affiliated with such an entity (e.g., unlisted subsidiaries). As part of this response, please identify the revenue for entities that were on the relevant list at the time that you transacted with them.
 - PRC revenue obtained from a transaction in which one party to the transaction was a PRC government entity or affiliated entity as defined as 50.1% or more of ultimate government ownership.
 - PRC revenue from PRC-headquartered or other distributors outside of the PRC where you have knowledge such items are for sale to the PRC.
 - If this dollar value is more than one percent of your company's yearly gross revenue, please list the top five PRC-distributors by revenue for FY2022, FY2023, and YTD FY2024 for your company.

⁵ David, Ryan, Torsekar, et al. Silverado Policy Accelerator. "Foundational Fabs: China's Use of Non-Market Policies to Expand its Role in the Semiconductor Supply Chain." October 2023. <https://silverado.org/news/report-foundational-fabs-chinas-use-of-non-market-policies/>

2. Please provide a list of U.S. export license applications (including approved, denied, or still pending) submitted to the Commerce Department's Bureau of Industry and Security between January 1, 2021, and present day. Please include the name of each determined end-user.
3. Please provide the data since January 1, 2021 on the annual volume of SME equipment, by individual models, shipped to the PRC from any of your worldwide direct or indirectly controlled subsidiaries. Please include the most sophisticated technology node the machine is capable of working on (e.g., 14nm, 7nm, etc.), defined as qualified on such nodes with any other customer (both PRC and non-PRC).
4. Please list your top 30 customers in the PRC by revenue, including from sales to the PRC by your subsidiaries located outside the United States (i.e. regardless of if it was a direct U.S. export).
5. How many of your company's employees are engaged in export control and trade compliance work in the PRC? Please list any due diligence, or other firms that may assist you in export control compliance and whether they are located in or have staff in the PRC.
6. What is your company's global manufacturing footprint? How much of your manufacturing is done in the United States, the PRC, and elsewhere? (Please provide two data sets: (1) your company's operational and capital related expenses by geography and (2) shipments to the SME by value according to their point of departure.)
7. What plans does your company currently have for any new or expanded offshoring of production, and what related options are under consideration?

In addition to answering such questions, please make appropriate representatives of your company available to speak with Select Committee staff. Thank you in advance for your attention to this matter.

Sincerely,



John Moolenaar
Chairman



Raja Krishnamoorthi
Ranking Member