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 April 26, 2026

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 000-06920

Applied Materials, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**94-1655526**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

3050 Bowers Avenue, P.O. Box 58039, Santa Clara, California 95052-8039
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(408) 727-5555**

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	AMAT	The NASDAQ Stock Market LLC

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 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	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

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 ☑

Number of shares outstanding of the issuer's common stock as of April 26, 2026: 793,959,430

APPLIED MATERIALS, INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED APRIL 26, 2026

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	April 26, 2026	April 27, 2025	April 26, 2026	April 27, 2025
	(Unaudited)			
Revenue	$ 7,910	$ 7,100	$ 14,922	$ 14,266
Cost of products sold	3,963	3,615	7,540	7,285
Gross profit	3,947	3,485	7,382	6,981
Operating expenses:				
Research, development and engineering	1,027	893	1,955	1,752
Marketing and selling	233	216	455	422
General and administrative	164	207	353	463
Legal settlement	—	—	253	—
Restructuring charges	—	—	12	—
Total operating expenses	1,424	1,316	3,028	2,637
Income from operations	2,523	2,169	4,354	4,344
Interest expense	69	68	138	132
Interest and other income (expense), net	771	221	1,337	229
Income before income taxes	3,225	2,322	5,553	4,441
Provision for income taxes	419	185	721	1,119
Net income	$ 2,806	$ 2,137	$ 4,832	$ 3,322
Earnings per share:				
Basic	$ 3.53	$ 2.64	$ 6.09	$ 4.10
Diluted	$ 3.51	$ 2.63	$ 6.05	$ 4.08
Weighted average number of shares:				
Basic	794	809	794	811
Diluted	799	812	799	815

See accompanying Notes to Consolidated Condensed Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Three Months Ended		Six Months Ended	
	April 26, 2026	**April 27, 2025**	**April 26, 2026**	**April 27, 2025**
		(Unaudited)		
Net income	$ 2,806	$ 2,137	$ 4,832	$ 3,322
Other comprehensive income (loss), net of tax:				
Change in unrealized gain (loss) on available-for-sale investments	(14)	8	(19)	5
Change in unrealized net loss on derivative instruments	—	(9)	5	19
Other comprehensive income (loss), net of tax	(14)	(1)	(14)	24
Comprehensive income	$ 2,792	$ 2,136	$ 4,818	$ 3,346

See accompanying Notes to Consolidated Condensed Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions)

	April 26, 2026	October 26, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,301	$ 7,241
Short-term investments	1,940	1,332
Accounts receivable, net	6,372	5,185
Inventories	6,343	5,915
Other current assets	1,615	1,208
Total current assets	22,571	20,881
Long-term investments	5,142	4,327
Property, plant and equipment, net	5,255	4,610
Goodwill	3,824	3,707
Purchased technology and other intangible assets, net	330	226
Deferred income taxes and other assets	3,164	2,548
Total assets	$ 40,286	$ 36,299
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 1,199	$ 100
Accounts payable and accrued expenses	5,229	5,333
Contract liabilities	2,570	2,566
Total current liabilities	8,998	7,999
Long-term debt	5,256	6,455
Income taxes payable	704	356
Other liabilities	1,419	1,074
Total liabilities	16,377	15,884
Stockholders' equity:		
Common stock	8	8
Additional paid-in capital	10,531	10,333
Retained earnings	59,274	55,227
Treasury stock	(45,780)	(45,043)
Accumulated other comprehensive loss	(124)	(110)
Total stockholders' equity	23,909	20,415
Total liabilities and stockholders' equity	$ 40,286	$ 36,299

Amounts as of April 26, 2026 are unaudited. Amounts as of October 26, 2025 are derived from the October 26, 2025 audited consolidated financial statements.

See accompanying Notes to Consolidated Condensed Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except per share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
Three Months Ended April 26, 2026	**Shares**	**Amount**			**Shares**	**Amount**		
					(Unaudited)			
Balance as of January 25, 2026	793	$ 8	$ 10,311	$ 56,888	1,242	$ (45,380)	$ (110)	$ 21,717
Net income	—	—	—	2,806	—	—	—	2,806
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(14)	(14)
Dividends declared ($0.53 per common share)	—	—	—	(420)	—	—	—	(420)
Share-based compensation	—	—	169	—	—	—	—	169
Net issuance under stock plans	2	—	51	—	—	—	—	51
Common stock repurchases	(1)	—	—	—	1	(400)	—	(400)
Balance as of April 26, 2026	794	$ 8	$ 10,531	$ 59,274	1,243	$ (45,780)	$ (124)	$ 23,909

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
Six Months Ended April 26, 2026	**Shares**	**Amount**			**Shares**	**Amount**		
					(Unaudited)			
Balance as of October 26, 2025	793	$ 8	$ 10,333	$ 55,227	1,241	$ (45,043)	$ (110)	$ 20,415
Net income	—	—	—	4,832	—	—	—	4,832
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(14)	(14)
Dividends declared ($0.99 per common share)	—	—	—	(785)	—	—	—	(785)
Share-based compensation	—	—	376	—	—	—	—	376
Net issuance under stock plans	3	—	(178)	—	—	—	—	(178)
Common stock repurchases	(2)	—	—	—	2	(737)	—	(737)
Balance as of April 26, 2026	794	$ 8	$ 10,531	$ 59,274	1,243	$ (45,780)	$ (124)	$ 23,909

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)

(In millions, except per share amounts)

Three Months Ended April 27, 2025	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income (Loss)	Total
				(Unaudited)				
Balance as of January 26, 2025	812	$ 8	$ 9,713	$ 50,511	1,219	$ (41,464)	$ (143)	$ 18,625
Net income	—	—	—	2,137	—	—	—	2,137
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(1)	(1)
Dividends declared ($0.46 per common share)	—	—	—	(368)	—	—	—	(368)
Share-based compensation	—	—	159	—	—	—	—	159
Net issuance under stock plans	1	—	94	—	—	—	—	94
Common stock repurchases	(11)	—	—	—	11	(1,685)	—	(1,685)
Balance as of April 27, 2025	802	$ 8	$ 9,966	$ 52,280	1,230	$ (43,149)	$ (144)	$ 18,961

Six Months Ended April 27, 2025	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income (Loss)	Total
				(Unaudited)				
Balance as of October 27, 2024	818	$ 8	$ 9,660	$ 49,651	1,211	$ (40,150)	$ (168)	$ 19,001
Net income	—	—	—	3,322	—	—	—	3,322
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	24	24
Dividends declared ($0.86 per common share)	—	—	—	(693)	—	—	—	(693)
Share-based compensation	—	—	354	—	—	—	—	354
Net issuance under stock plans	3	—	(48)	—	—	—	—	(48)
Common stock repurchases	(19)	—	—	—	19	(2,999)	—	(2,999)
Balance as of April 27, 2025	802	$ 8	$ 9,966	$ 52,280	1,230	$ (43,149)	$ (144)	$ 18,961

See accompanying Notes to Consolidated Condensed Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In millions)

	Six Months Ended	
	April 26, 2026	April 27, 2025
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 4,832	$ 3,322
Adjustments required to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	262	208
Restructuring charges	12	—
(Gain) / loss and impairment on investments	(1,138)	24
Share-based compensation	376	354
Deferred income taxes	74	672
Other	4	(38)
Changes in operating assets and liabilities:		
Accounts receivable	(1,188)	(953)
Inventories	(401)	(235)
Other current and non-current assets	(394)	(30)
Accounts payable and accrued expenses	(221)	(92)
Contract liabilities	(3)	(358)
Income taxes payable	325	(373)
Other liabilities	(9)	(5)
Cash provided by operating activities	2,531	2,496
Cash flows from investing activities:		
Capital expenditures	(1,281)	(891)
Cash paid for acquisitions, net of cash acquired	(175)	(29)
Proceeds from asset sale	6	33
Proceeds from sales and maturities of investments	3,234	3,144
Purchases of investments	(3,523)	(2,933)
Cash used in investing activities	(1,739)	(676)
Cash flows from financing activities:		
Proceeds from issuance of commercial paper	300	300
Repayments of commercial paper	(400)	(300)
Proceeds from common stock issuances	131	129
Common stock repurchases	(737)	(2,988)
Tax withholding payments for vested equity awards	(309)	(177)
Payments of dividends to stockholders	(730)	(651)
Payments of debt issuance costs	—	(2)
Cash used in financing activities	(1,745)	(3,689)
Increase (decrease) in cash, cash equivalents and restricted cash equivalents	(953)	(1,869)
Cash, cash equivalents and restricted cash equivalents — beginning of period	7,312	8,113
Cash, cash equivalents and restricted cash equivalents — end of period	$ 6,359	$ 6,244
Reconciliation of cash, cash equivalents and restricted cash equivalents		
Cash and cash equivalents	$ 6,301	$ 6,169
Restricted cash equivalents included in deferred income taxes and other assets	58	75
Total cash, cash equivalents and restricted cash equivalents	$ 6,359	$ 6,244

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Continued)

(In millions)

	Six Months Ended	
	April 26, 2026	April 27, 2025
	(Unaudited)	
Supplemental cash flow information:		
Cash payments for income taxes	$ 650	$ 833
Cash refunds from income taxes	$ 16	$ 75
Cash payments for interest	$ 119	$ 120

See accompanying Notes to Consolidated Condensed Financial Statements.

Note 1 Basis of Presentation and Recently Adopted Accounting Standards

Basis of Presentation

In the opinion of our management, the unaudited interim consolidated condensed financial statements of Applied Materials, Inc. and its subsidiaries (we, us, and our) included herein have been prepared on a basis consistent with the October 26, 2025 audited consolidated financial statements and include all material adjustments, consisting of normal recurring adjustments, necessary to fairly state the information set forth therein. These unaudited interim consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 26, 2025 (2025 Form 10-K).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. Our results of operations for the three and six months ended April 26, 2026 are not necessarily indicative of future operating results. Our fiscal year ends on the last Sunday in October of each year. Fiscal 2026 and 2025 contain 52 weeks each and the first six months of fiscal 2026 and 2025 each contained 26 weeks.

Certain prior-year amounts have been reclassified to conform to current-year presentation.

Note 2 Earnings Per Share

Basic earnings per share is determined using the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined using the weighted average number of common shares and potential common shares (representing the dilutive effect of restricted stock units and employees' stock purchase plan shares) outstanding during the period. Our net income has not been adjusted for any period presented for purposes of computing basic or diluted earnings per share due to our non-complex capital structure.

	Three Months Ended		Six Months Ended	
	April 26, 2026	April 27, 2025	April 26, 2026	April 27, 2025
	(In millions, except per share amounts)			
Numerator:				
Net income	$ 2,806	$ 2,137	$ 4,832	$ 3,322
Denominator:				
Weighted average common shares outstanding	794	809	794	811
Effect of weighted dilutive restricted stock units and employees' stock purchase plan shares	5	3	5	4
Denominator for diluted earnings per share	799	812	799	815
Basic earnings per share	$ 3.53	$ 2.64	$ 6.09	$ 4.10
Diluted earnings per share	$ 3.51	$ 2.63	$ 6.05	$ 4.08
Potentially weighted dilutive securities	—	—	—	—

Excluded from the calculation of diluted earnings per share are securities attributable to outstanding restricted stock units where the combined exercise price and average unamortized fair value are greater than the average market price of our common stock, and therefore their inclusion would be anti-dilutive.

Note 3 Cash, Cash Equivalents and Investments

Summary of Cash, Cash Equivalents and Investments

The following tables summarize our cash, cash equivalents and investments by security type:

April 26, 2026	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Cash	$ 1,497	$ —	$ —	$ 1,497
Cash equivalents:				
Money market funds*	2,428	—	—	2,428
Bank certificates of deposit and time deposits	180	—	—	180
Municipal securities	5	—	—	5
Commercial paper, corporate bonds and medium-term notes	2,191	—	—	2,191
Total cash equivalents	4,804	—	—	4,804
Total cash and cash equivalents	$ 6,301	$ —	$ —	$ 6,301
Short-term and long-term investments:				
Bank certificates of deposit and time deposits	$ 6	$ —	$ —	$ 6
U.S. Treasury and agency securities	2,247	—	4	2,243
Municipal securities	477	2	1	478
Commercial paper, corporate bonds and medium-term notes	1,174	3	1	1,176
Asset-backed and mortgage-backed securities	553	1	2	552
Total fixed income securities	4,457	6	8	4,455
Publicly traded equity securities	965	1,284	1	2,248
Equity investments in privately held companies	348	107	76	379
Total equity investments	1,313	1,391	77	2,627
Total short-term and long-term investments	$ 5,770	$ 1,397	$ 85	$ 7,082
Total cash, cash equivalents and investments	$ 12,071	$ 1,397	$ 85	$ 13,383

*Excludes $58 million of restricted cash equivalents invested in money market funds related to deferred compensation plans.

October 26, 2025	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Cash	$ 1,419	$ —	$ —	$ 1,419
Cash equivalents:				
Money market funds*	2,193	—	—	2,193
Bank certificates of deposit and time deposits	180	—	—	180
U.S. Treasury and agency securities	1,196	—	—	1,196
Municipal securities	5	—	—	5
Commercial paper, corporate bonds and medium-term notes	2,248	—	—	2,248
Total cash equivalents	5,822	—	—	5,822
Total cash and cash equivalents	$ 7,241	$ —	$ —	$ 7,241
Short-term and long-term investments:				
Bank certificates of deposit and time deposits	$ 4	$ —	$ —	$ 4
U.S. Treasury and agency securities	1,229	3	—	1,232
Non-U.S. government securities**	5	—	—	5
Municipal securities	463	5	—	468
Commercial paper, corporate bonds and medium-term notes	848	6	—	854
Asset-backed and mortgage-backed securities	614	4	2	616
Total fixed income securities	3,163	18	2	3,179
Publicly traded equity securities	1,288	824	2	2,110
Equity investments in privately held companies	342	74	46	370
Total equity investments	1,630	898	48	2,480
Total short-term and long-term investments	$ 4,793	$ 916	$ 50	$ 5,659
Total cash, cash equivalents and investments	$ 12,034	$ 916	$ 50	$ 12,900

*Excludes $71 million of restricted cash equivalents invested in money market funds related to deferred compensation plans.
**Includes Canadian provincial government debt.

During the three months ended April 26, 2026 and April 27, 2025, interest income from our cash, cash equivalents and fixed income securities was $96 million and $101 million, respectively.

During the six months ended April 26, 2026 and April 27, 2025, interest income from our cash, cash equivalents and fixed income securities was $193 million and $217 million, respectively.

Maturities of Investments

The following table summarizes the contractual maturities of our investments as of April 26, 2026:

	Cost	Estimated Fair Value
	(In millions)	
Due in one year or less	$ 1,911	$ 1,911
Due after one through five years	1,993	1,992
No single maturity date*	1,866	3,179
Total	$ 5,770	$ 7,082

*Securities with no single maturity date include publicly traded and privately held equity securities and asset-backed and mortgage-backed securities.

Gains and Losses on Investments

During the three and six months ended April 26, 2026 and April 27, 2025, gross realized gains and losses on our fixed income portfolio were not material.

As of April 26, 2026 and October 26, 2025, gross unrealized losses related to our fixed income portfolio were not material. We regularly review our fixed income portfolio to identify and evaluate investments that have indications of possible impairment from credit losses or other factors. Factors considered in determining whether an unrealized loss is considered to be a credit loss include: the significance of the decline in value compared to the cost basis; the financial condition, credit quality and near-term prospects of the investee; and whether it is more likely than not that we will be required to sell the security prior to recovery. Credit losses related to available-for-sale debt securities are recorded as an allowance for credit losses through interest and other income (expense), net. Any additional changes in fair value that are not related to credit losses are recognized in accumulated other comprehensive income (loss) (AOCI). During the three and six months ended April 26, 2026 and April 27, 2025, we did not recognize material credit losses and the ending allowance for credit losses was not material to our fixed income portfolio.

The components of gain (loss) on equity investments recognized in the Consolidated Condensed Statements of Operations for the three and six months ended April 26, 2026 and April 27, 2025 were as follows:

	Three Months Ended		Six Months Ended	
	April 26, 2026	April 27, 2025	April 26, 2026	April 27, 2025
	(In millions)			
Publicly traded equity securities				
Unrealized gain	$ 673	$ 110	$ 1,157	$ 113
Unrealized loss	—	(28)	(16)	(139)
Realized gain on sales and dividends	1	22	5	25
Realized loss on sales or impairment	(13)	—	(15)	—
Equity investments in privately held companies				
Unrealized gain	17	—	35	7
Unrealized loss	(5)	(2)	(7)	(7)
Realized gain on sales and dividends	3	1	7	7
Realized loss on sales or impairment	(6)	(5)	(26)	(5)
Total gain (loss) on equity investments, net	$ 670	$ 98	$ 1,140	$ 1

Note 4 Fair Value Measurements

Assets Measured at Fair Value on a Recurring Basis

The following table presents our fair value hierarchy for our financial assets (excluding cash balances) measured at fair value on a recurring basis:

	April 26, 2026			October 26, 2025		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	(In millions)					
Assets:						
Available-for-sale debt security investments						
Money market funds*	$ 2,486	$ —	$ 2,486	$ 2,264	$ —	$ 2,264
Bank certificates of deposit and time deposits	—	186	186	—	184	184
U.S. Treasury and agency securities	981	1,262	2,243	2,109	319	2,428
Non-U.S. government securities	—	—	—	—	5	5
Municipal securities	—	483	483	—	473	473
Commercial paper, corporate bonds and medium-term notes	—	3,367	3,367	—	3,102	3,102
Asset-backed and mortgage-backed securities	—	552	552	—	616	616
Total available-for-sale debt security investments	$ 3,467	$ 5,850	$ 9,317	$ 4,373	$ 4,699	$ 9,072
Equity investments with readily determinable values						
Publicly traded equity securities	$ 2,248	$ —	$ 2,248	$ 2,110	$ —	$ 2,110
Total equity investments with readily determinable values	$ 2,248	$ —	$ 2,248	$ 2,110	$ —	$ 2,110
Total	$ 5,715	$ 5,850	$ 11,565	$ 6,483	$ 4,699	$ 11,182

*Amounts as of April 26, 2026 and October 26, 2025 include $58 million and $71 million, respectively, invested in money market funds related to deferred compensation plans. Due to restrictions on the distribution of these funds, they are classified as restricted cash equivalents and are included in deferred income taxes and other assets in the Consolidated Condensed Balance Sheets.

As of April 26, 2026 and October 26, 2025, available-for-sale, short-term and long-term investments not recognized at fair value based upon observable inputs or quoted prices were not material.

We did not have any financial assets measured at fair value on a recurring basis within Level 3 fair value measurements as of April 26, 2026 or October 26, 2025.

Assets and Liabilities without Readily Determinable Values Measured on a Non-recurring Basis

Our equity investments without readily determinable values consist of equity investments in privately held companies. We elected the measurement alternative, defined as cost, less impairments, adjusted for subsequent observable price changes on a prospective basis for certain equity investments without readily determinable fair values and are required to account for any subsequent observable changes in fair value within the statements of operations. These investments are classified as Level 3 within the fair value hierarchy and periodically assessed for impairment when an event or circumstance indicates that a decline in value may have occurred. Impairment losses on equity investments in privately held companies, included in the above fair value hierarchy table, were not material during the three and six months ended April 26, 2026 and April 27, 2025. These impairment losses are included in interest and other income (expense), net in the Consolidated Condensed Statements of Operations.

Other

The carrying amounts of our financial instruments, including cash and cash equivalents, restricted cash equivalents, accounts receivable, commercial paper notes, and accounts payable and accrued expenses, approximate fair value due to their short maturities. As of April 26, 2026, the aggregate principal amount of long-term senior unsecured notes issued by us was $5.3 billion, and their estimated fair value, excluding associated interest rate swaps we entered into in the first quarter of fiscal 2026, was $4.9 billion. See Note 5 of the Notes to the Consolidated Condensed Financial Statements for information on our interest rate swaps. As of October 26, 2025, the aggregate principal amount of long-term senior unsecured notes was $6.5 billion and the estimated fair value was $6.2 billion. The estimated fair value of long-term senior unsecured notes issued by us is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar issues. See Note 9 of the Notes to the Consolidated Condensed Financial Statements for additional information on our senior unsecured notes.

Note 5 Derivative Instruments and Hedging Activities

Derivative Financial Instruments

We conduct business in a number of foreign countries, with certain transactions denominated in local currencies, such as the Japanese yen, Israeli shekel, euro and Taiwanese dollar. We use derivative financial instruments, such as foreign currency forward and option contracts, to hedge certain forecasted foreign currency denominated transactions expected to occur typically within the next 24 months. The purpose of our foreign currency management is to mitigate the effect of exchange rate fluctuations on certain foreign currency denominated revenues, costs and eventual cash flows. The terms of currency instruments used for hedging purposes are generally consistent with the timing of the transactions being hedged.

We do not use derivative financial instruments for trading or speculative purposes. Derivative instruments and hedging activities, including foreign exchange and interest rate contracts, are recognized on the balance sheet at fair value. Changes in the fair value of derivatives that do not qualify for hedge accounting treatment are recognized currently in earnings. All of our derivative financial instruments are recorded at their fair value in other current assets, accounts payable and accrued expenses, or long-term debt.

Hedges related to anticipated transactions are designated and documented at the inception of the hedge as cash flow hedges and foreign exchange derivatives are typically entered into once per month. Cash flow hedges are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income (loss) (AOCI) in stockholders’ equity and is reclassified into earnings when the hedged transaction affects earnings. The majority of the after-tax net income or loss related to foreign exchange derivative instruments included in AOCI as of April 26, 2026 is expected to be reclassified into earnings within 12 months. Changes in fair value caused by changes in time value of option contracts designated as cash flow hedges are excluded from the assessment of effectiveness. The initial value of this excluded component is amortized on a straight-line basis over the life of the hedging instrument and recognized in the financial statement line item to which the hedge relates. If the transaction being hedged is probable not to occur, we recognize the gain or loss on the associated financial instrument in the Consolidated Condensed Statement of Operations. The amount recognized due to discontinuance of cash flow hedges that were probable of not occurring by the end of the originally specified time period was not material for the three and six months ended April 26, 2026 and April 27, 2025.

Foreign currency forward contracts are generally used to hedge certain foreign currency denominated assets or liabilities. Accordingly, changes in the fair value of these hedges are recorded in the Consolidated Condensed Statement of Operations to offset the changes in the fair value of the assets or liabilities being hedged.

We also use interest rate swap derivatives to partially offset our business exposure to interest risk associated with our outstanding fixed rate senior unsecured notes. These interest rate swaps are designated as fair value hedges and used to offset changes in the fair value of certain unsecured senior notes attributable to changes in the benchmark interest rate. We reflect the interest settlement associated with the interest rate swap as cash flows from operating activities in the Consolidated Statements of Cash Flows. During the six months ended April 26, 2026, we entered into a series of interest rate swaps with the aggregate notional amount of $400 million. We record changes in fair value on the swaps in our Consolidated Condensed Statements of Operations with a corresponding offset to the value of the hedged senior unsecured notes. See Note 9 of the Notes to the Consolidated Condensed Financial Statements for additional discussion of our senior unsecured notes.

As of April 26, 2026 and October 26, 2025, the total outstanding notional amounts of foreign exchange contracts were $2.9 billion and $2.3 billion, respectively. The fair values of foreign exchange derivative instruments as of April 26, 2026 and October 26, 2025 were not material.

The gain (loss) on derivatives in cash flow hedging relationships recognized in AOCI for derivatives designated as hedging instruments were not material for the three and six months ended April 26, 2026 and April 27, 2025.

The effects of derivative instruments, both those designated and not designated as cash flow and fair value hedges, on the Consolidated Condensed Statements of Operations were not material for the three and six months ended April 26, 2026 and April 27, 2025.

Credit Risk Contingent Features

If our credit rating were to fall below investment grade, we would be in violation of credit risk contingent provisions of the derivative instruments discussed above, and certain counterparties to the derivative instruments could request immediate payment on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a net liability position was not material as of April 26, 2026.

Entering into derivative contracts with banks exposes us to credit-related losses in the event of the banks' nonperformance. However, our exposure is not considered material.

Note 6 Accounts Receivable, Net

We maintain an allowance for credit losses for estimated losses resulting from the inability of our customers to make required payments. This allowance is based on historical experience, credit evaluations, specific customer collection history and any customer-specific issues we have identified. Changes in circumstances, such as an unexpected material adverse change in a major customer's ability to meet its financial obligation to us or its payment trends, may require us to further adjust our estimates of the recoverability of amounts due to us. Bad debt expense and any reversals are recorded in marketing and selling expenses in the Consolidated Condensed Statements of Operations.

The balances of allowance for credit losses were not material as of April 26, 2026 and October 26, 2025, and the changes in allowance for credit losses were not material for the three and six months ended April 26, 2026 and April 27, 2025.

We sell our products principally to manufacturers within the semiconductor industry. While we believe that our allowance for credit losses is adequate and represents our best estimate as of April 26, 2026, we continue to closely monitor customer liquidity and industry and economic conditions, which may result in changes to our estimates.

Note 7 Contract Balances and Performance Obligations

Contract Assets and Liabilities

Contract assets primarily result from receivables for goods transferred to customers where payment is conditional upon technical sign off and not just the passage of time. Contract liabilities consist of unsatisfied performance obligations related to advance payments received and billings in excess of revenue recognized. Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Contract assets are generally classified as current and are included in Other Current Assets in the Consolidated Condensed Balance Sheets. Contract liabilities are classified as current or non-current based on the timing of when performance obligations will be satisfied and associated revenue is expected to be recognized.

Contract balances at the end of each reporting period were as follows:

	April 26, 2026	October 26, 2025
	(In millions)	
Contract assets	$ 221	$ 281
Contract liabilities	$ 2,570	$ 2,566

The decrease in contract assets during the six months ended April 26, 2026 was primarily due to a decrease in unsatisfied performance obligations related to goods transferred to customers where payment was conditional upon technical sign off.

During the six months ended April 26, 2026, we recognized revenue of approximately $1.5 billion related to contract liabilities at October 26, 2025. Contract liabilities increased during the six months ended April 26, 2026 due to new billings for products and services for which there were unsatisfied performance obligations to customers and revenue had not yet been recognized as of April 26, 2026, partially offset by revenue recognized related to contract liabilities at October 26, 2025.

There were no credit losses recognized on our accounts receivable and contract assets during both the six months ended April 26, 2026 and April 27, 2025.

Performance Obligations

As of April 26, 2026, the amount of remaining unsatisfied performance obligations on contracts, primarily consisting of written purchase orders received from customers, with an original estimated duration of one year or more was approximately $1.2 billion, of which approximately 77% is expected to be recognized within 12 months and the remainder is expected to be recognized within the following 24 months thereafter.

We have elected the available practical expedient to exclude the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

Note 8 Balance Sheet Detail

	April 26, 2026	October 26, 2025
	(In millions)	
Inventories		
Customer service spares	$ 1,831	$ 1,786
Raw materials	2,126	2,007
Work-in-process	1,109	914
Finished goods		
Deferred cost of sales	288	229
Evaluation inventory	450	474
Manufactured on-hand inventory	539	505
Total finished goods	1,277	1,208
Total inventories	$ 6,343	$ 5,915

	April 26, 2026	October 26, 2025
	(In millions)	
Other Current Assets		
Prepaid income taxes and income taxes receivable	$ 439	$ 148
Prepaid expenses and other	1,176	1,060
	$ 1,615	$ 1,208

	Useful Life	April 26, 2026	October 26, 2025
	(In years)	(In millions)	
Property, Plant and Equipment, Net			
Land and improvements		$ 559	$ 558
Buildings and improvements	3-30	3,137	2,930
Demonstration and manufacturing equipment	5-8	2,858	2,708
Furniture, fixtures and other equipment	3-5	931	855
Construction in progress		1,860	1,460
Gross property, plant and equipment		9,345	8,511
Accumulated depreciation		(4,090)	(3,901)
		$ 5,255	$ 4,610

	April 26, 2026	October 26, 2025
	(In millions)	
Deferred Income Taxes and Other Assets		
Non-current deferred income taxes	$ 1,047	$ 1,233
Operating lease right-of-use assets	820	509
Income tax receivables and other assets	1,297	806
	$ 3,164	$ 2,548

	April 26, 2026	October 26, 2025
	(In millions)	
Accounts Payable and Accrued Expenses		
Accounts payable	$ 2,197	$ 1,978
Compensation and employee benefits	966	1,221
Warranty	326	346
Dividends payable	421	365
Income taxes payable	357	380
Operating lease liabilities, current	114	91
Restructuring reserve	23	165
Other	825	787
	$ 5,229	$ 5,333

	April 26, 2026	October 26, 2025
	(In millions)	
Other Liabilities		
Defined and postretirement benefit plans	$ 148	$ 151
Operating lease liabilities, non-current	699	404
Other	572	519
	$ 1,419	$ 1,074

Government Assistance

Capital expenditure related incentives reduced gross property, plant and equipment by $1.6 billion as of April 26, 2026. To the extent the capital expenditure related incentives exceed our applicable income tax liabilities, we are eligible to receive a refund in cash. In our Consolidated Condensed Balance Sheets as of April 26, 2026, we have recorded $1.1 billion of investment tax credits, of which $63 million was recorded in other current assets and will offset fiscal 2026 income tax liabilities, and $1.0 billion was recorded in deferred income taxes and other assets and is expected to be refunded. Contra depreciation expense and operating incentives recorded as a reduction to expense were not material for the three and six months ended April 26, 2026 and April 27, 2025.

Note 9 Borrowing Facilities and Debt

Revolving Credit Facilities

In September 2025, we entered into a $2.0 billion 364-day committed revolving credit agreement (364-Day Credit Agreement) with a group of banks. The 364-Day Credit Agreement includes a provision under which we may request an increase in the amount of the facility of up to $1.0 billion for a total commitment of no more than $3.0 billion, subject to the receipt of commitments from one or more lenders for any such increase and other customary conditions. The 364-Day Credit Agreement is scheduled to expire in September 2026, provided, however, if any loans are outstanding on the maturity date, we may convert all or part of such loans to term loans that will mature in September 2027, subject to payment of a fee by us and other customary conditions.

In February 2025, we entered into a $2.0 billion committed revolving credit agreement (Five-Year Credit Agreement) with a group of banks. The Five-Year Credit Agreement includes a provision under which we may request an increase in the amount of the facility of up to $500 million for a total commitment of no more than $2.5 billion, subject to the receipt of commitments from one or more lenders for any such increase and other customary conditions. The Five-Year Credit Agreement is scheduled to expire in February 2030, unless extended as permitted under the terms of the agreement.

Each of the 364-Day Credit Agreement and the Five-Year Credit Agreement provides for unsecured borrowings that bear interest for each advance at one of two rates selected by us, plus an applicable margin, which varies according to our public debt credit ratings.

No amounts were outstanding under the 364-Day Credit Agreement or the Five-Year Credit Agreement as of April 26, 2026 and October 26, 2025.

In addition, we have revolving credit facilities with Japanese banks pursuant to which we may borrow up to approximately $50 million in aggregate at any time. Our ability to borrow under these facilities is subject to bank approval at the time of the borrowing request, and any advances will be at rates indexed to the banks' prime reference rate denominated in Japanese yen. As of April 26, 2026 and October 26, 2025, no amounts were outstanding under these revolving credit facilities.

Short-term Commercial Paper

We have a short-term commercial paper program under which we may issue unsecured commercial paper notes of up to a total amount of $4.0 billion. The proceeds from the issuances of commercial paper are used for general corporate purposes. As of April 26, 2026, we had no commercial paper outstanding, and as of October 26, 2025, we had $100 million of commercial paper notes outstanding and recorded as short-term debt with a weighted-average interest rate of 4.07% and maturities of 35 days.

Senior Unsecured Notes

Debt outstanding as of April 26, 2026 and October 26, 2025 was as follows:

	Principal Amount		Effective Interest Rate	Interest Pay Dates
	April 26, 2026	October 26, 2025		
	(In millions)			
Current portion of long-term debt:				
3.300% Senior Notes Due 2027	$ 1,200	$ —	3.342%	April 1, October 1
Total unamortized debt issuance costs	(1)	—		
Total current portion of long-term debt	$ 1,199	$ —		
Long-term debt:				
3.300% Senior Notes Due 2027	$ —	$ 1,200	3.342%	April 1, October 1
4.800% Senior Notes Due 2029	700	700	4.844%	June 15, December 15
1.750% Senior Notes Due 2030	750	750	1.792%	June 1, December 1
4.000% Senior Notes Due 2031	550	550	4.070%	January 15, July 15
5.100% Senior Notes Due 2035	500	500	5.127%	April 1, October 1
4.600% Senior Notes Due 2036	450	450	4.632%	January 15, July 15
5.850% Senior Notes Due 2041	600	600	5.879%	June 15, December 15
4.350% Senior Notes Due 2047	1,000	1,000	4.361%	April 1, October 1
2.750% Senior Notes Due 2050	750	750	2.773%	June 1, December 1
	5,300	6,500		
Total unamortized discount	(11)	(12)		
Total unamortized debt issuance costs	(30)	(33)		
Fair value of interest rate swaps	(3)	—		
Total long-term debt	$ 5,256	$ 6,455		

Note 10 Restructuring Charges

Fiscal 2025 Restructuring Plan

In the fourth quarter of fiscal 2025, we approved a workforce reduction plan (Fiscal 2025 Restructuring Plan) to position us for continued growth as a more competitive and productive organization. The majority of the charges related to the Fiscal 2025 Restructuring Plan were recognized in the fourth quarter of fiscal 2025 and consist primarily of severance and other employment termination benefits to be paid in cash, and other non-cash related charges.

Restructuring charges related to the Fiscal 2025 Restructuring Plan were as follows:

	Three Months Ended		Six Months Ended	
	April 26, 2026	April 27, 2025	April 26, 2026	April 27, 2025
	(In millions)			
Severance and other employee-related charges	$ —	$ —	$ 12	$ —
Total	$ —	$ —	$ 12	$ —

Changes in restructuring reserves related to the Fiscal 2025 Restructuring Plan described above for the six months ended April 26, 2026 were as follows:

	Restructuring Charges Reserves	
	(In millions)	
Balance as of October 26, 2025	$	165
Restructuring charges		13
Consumption of reserves		(139)
Balance as of January 25, 2026	$	39
Consumption of reserves		(16)
Balance as of April 26, 2026	$	23

Note 11 Stockholders' Equity, Comprehensive Income and Share-Based Compensation

Accumulated Other Comprehensive Income (Loss)

Changes in the components of accumulated other comprehensive income (loss) (AOCI), net of tax, were as follows:

	Unrealized Gain (Loss) on Investments, Net	Unrealized Gain (Loss) on Derivative Instruments Qualifying as Cash Flow Hedges	Defined and Postretirement Benefit Plans	Cumulative Translation Adjustments	Total
			(in millions)		
Balance as of October 26, 2025	$ 11	$ (34)	$ (100)	$ 13	$ (110)
Other comprehensive income (loss) before reclassifications	(10)	25	—	—	15
Amounts reclassified out of AOCI	(9)	(20)	—	—	(29)
Other comprehensive income (loss), net of tax	(19)	5	—	—	(14)
Balance as of April 26, 2026	$ (8)	$ (29)	$ (100)	$ 13	$ (124)

	Unrealized Gain (Loss) on Investments, Net	Unrealized Gain (Loss) on Derivative Instruments Qualifying as Cash Flow Hedges	Defined and Postretirement Benefit Plans	Cumulative Translation Adjustments	Total
			(in millions)		
Balance as of October 27, 2024	$ (7)	$ (87)	$ (87)	$ 13	$ (168)
Other comprehensive income (loss) before reclassifications	5	13	—	—	18
Amounts reclassified out of AOCI	—	6	—	—	6
Other comprehensive income (loss), net of tax	5	19	—	—	24
Balance as of April 27, 2025	$ (2)	$ (68)	$ (87)	$ 13	$ (144)

The tax effects on net income of amounts reclassified from AOCI for the three and six months ended April 26, 2026 and April 27, 2025 were not material.

Stock Repurchase Program

In March 2025, our Board of Directors approved a common stock repurchase program authorizing $10.0 billion in repurchases, which supplemented the previous $10.0 billion authorization approved in March 2023. As of April 26, 2026, approximately $13.2 billion remained available for future stock repurchases under the repurchase program.

The following table summarizes our stock repurchases, including and excluding excise tax, for the three and six months ended April 26, 2026 and April 27, 2025:

	Three Months Ended		Six Months Ended	
	April 26, 2026	April 27, 2025	April 26, 2026	April 27, 2025
	(in millions, except per share amount)			
Shares of common stock repurchased	1	11	2	19
Cost of stock repurchased (including excise tax)*	$ 400	$ 1,685	$ 737	$ 2,999
Average price paid per share (including excise tax)*	$ 352.63	$ 148.88	$ 302.69	$ 159.77
Cost of stock repurchased (excluding excise tax)	$ 400	$ 1,670	$ 737	$ 2,975
Average price paid per share (excluding excise tax)	$ 352.63	$ 147.59	$ 302.69	$ 158.47

(*) Stock repurchase amounts include the 1% surcharge on stock repurchases under the Inflation Reduction Act's excise tax. This excise tax is recorded in equity and reduces the amount available under the repurchase program, as applicable.

We record common stock repurchased and held as treasury stock under the cost method using the first-in, first-out method. Upon reissuance of treasury stock, amounts in excess of the acquisition cost are credited to additional paid in capital. If we reissue treasury stock at an amount below our acquisition cost and additional paid in capital associated with prior treasury stock transactions is insufficient to cover the difference between the acquisition cost and the reissue price, this difference is recorded against retained earnings.

Dividends

In March 2026 and December 2025, our Board of Directors declared quarterly cash dividends in the amount of $0.53 and $0.46 per share, respectively. The dividend declared in March 2026 is payable in June 2026. Dividends paid during the six months ended April 26, 2026 and April 27, 2025 totaled $730 million and $651 million, respectively. We currently anticipate that cash dividends will continue to be paid on a quarterly basis, although the declaration of any future cash dividend is at the discretion of the Board of Directors and will depend on our financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination by the Board of Directors that cash dividends are in the best interests of our stockholders.

Share-Based Compensation

We have a stockholder-approved equity plan, the Employee Stock Incentive Plan (ESIP), which permits grants to employees of share-based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, performance share units and performance units. In addition, the plan provides for the automatic grant of restricted stock units to non-employee directors and permits the grant of share-based awards to non-employee directors and consultants. Share-based awards made under the plan may be subject to accelerated vesting under certain circumstances, including in the event of a change in control. In addition, we have an Omnibus Employees' Stock Purchase Plan (ESPP), which enables eligible employees to purchase our common stock.

During the three and six months ended April 26, 2026 and April 27, 2025, we recognized share-based compensation expense related to share-based awards and ESPP shares. The effect of share-based compensation on the results of operations was as follows:

	Three Months Ended		Six Months Ended	
	April 26, 2026	April 27, 2025	April 26, 2026	April 27, 2025
	(In millions)			
Cost of products sold	$ 45	$ 40	$ 88	$ 78
Research, development and engineering	70	64	143	131
Marketing and selling	20	22	41	42
General and administrative	34	33	104	103
Total share-based compensation	$ 169	$ 159	$ 376	$ 354

The cost associated with share-based awards is typically recognized over the awards' service period for the entire award on a straight-line basis, adjusting for estimated forfeitures. However, in the case of share-based awards granted to certain members of senior management that allow for partial accelerated vesting in the event of a qualifying retirement based on age and years of service, the compensation expense is recognized once the individual meets the conditions for a qualifying retirement. We calculate the estimated forfeiture rate on an annual basis, based on historical forfeiture activities. The cost associated with share-based awards that include performance and/or market goals is recognized for each tranche over the service period. The cost of the portion of share-based awards subject to performance goals is recognized based on an assessment of the likelihood that the applicable performance goals will be achieved, and the cost of the portion of share-based awards subject to market goals is recognized based on the assumption of 100% achievement of the goal.

As of April 26, 2026, we had $1.3 billion in total unrecognized compensation expense, net of estimated forfeitures, related to grants of share-based awards under the ESIP and shares issued under the ESPP, which will be recognized over a weighted average period of 2.8 years. As of April 26, 2026, there were 15 million shares available for grant of share-based awards under the ESIP, and an additional 7 million shares available for issuance under the ESPP.

Restricted Stock Units, Restricted Stock, Performance Share Units and Performance Units

A summary of the changes in restricted stock units, restricted stock, performance share units and performance units outstanding under our equity compensation plans during the six months ended April 26, 2026 is presented below:

	Shares	Weighted Average Grant Date Fair Value
	(In millions, except per share amounts)	
Outstanding as of October 26, 2025	9	$ 148.43
Granted	3	$ 268.45
Vested	(3)	$ 144.90
Canceled	(1)	$ 154.52
Outstanding as of April 26, 2026	8	$ 191.03

As of April 26, 2026, 0.6 million additional performance-based awards could be earned based upon achievement of certain levels of specified performance and/or market goals.

A summary of the weighted-average grant date fair value per share of the granted restricted stock units, restricted stock, performance share units and performance units and total fair value vested awards for indicated periods is presented below:

	Six Months Ended	
	April 26, 2026	April 27, 2025
	(In millions, except per share amounts)	
Weighted average grant date fair value per share of awards granted	$ 268.45	$ 166.52
Total fair value of vested awards	$ 444	$ 441

During the first quarter of fiscal 2026, certain members of senior management were granted both awards subject solely to time-based vesting requirements and awards that are subject to the achievement of certain levels of specific performance and market goals, in addition to time-based vesting requirements (Performance-Based Awards). These Performance-Based Awards are subject to the achievement of targeted levels of non-GAAP economic profit and targeted levels of total shareholder return (TSR) relative to the TSR of the companies in the Standard & Poor's 500 Index. Each of these two metrics will be weighted 50% and will be measured over a three-year period.

The number of Performance-Based Awards that may vest in full after three years ranges from 0% to 200% of the target amount. The awards become eligible to vest only if the goals are achieved and will vest only if the grantee remains employed by us through each applicable vesting date, subject to a qualifying retirement based on age and years of service. The awards provide for a partial vesting based on actual performance at the conclusion of the three-year performance period in the event of a qualifying retirement.

Omnibus Employees' Stock Purchase Plan

Under the ESPP, substantially all employees may purchase our common stock through payroll deductions at a price equal to 85 percent of the lower of the fair market value of our common stock at the beginning or end of each 6-month purchase period, subject to certain limits. Our purchasing cycles begin in March and September of each fiscal year. We issued a total of 1 million shares in each of the three and six months ended April 26, 2026 and April 27, 2025. Compensation expense is calculated using the fair value of the employees' purchase rights under the Black-Scholes model. Underlying assumptions used in the model are outlined in the following table:

	Three and Six Months Ended	
	April 26, 2026	April 27, 2025
Dividend yield	0.57%	1.21%
Expected volatility	49.7%	42.3%
Risk-free interest rate	3.64%	4.27%
Expected life (in years)	0.5	0.5
Weighted average estimated fair value	$109.16	$41.47

Note 12 Income Taxes

Our provision for income taxes and effective tax rate are affected by the geographical composition of pre-tax income which includes jurisdictions with differing tax rates, conditional reduced tax rates and other income tax incentives. It is also affected by events that vary from period to period, such as changes in income tax laws and the resolution of prior years' income tax filings.

Our effective tax rates for the second quarter of fiscal 2026 and 2025 were 13.0 percent and 8.0 percent, respectively. The effective tax rate for the second quarter of fiscal 2026 was higher compared to the same period in the prior fiscal year, primarily due to a reduction of unrecognized tax benefits related to foreign operations as a result of the lapse of statutes of limitations in fiscal 2025.

Our effective tax rates for the first six months of fiscal 2026 and 2025 were 13.0 percent and 25.2 percent, respectively. The effective tax rate for the first six months of fiscal 2026 was lower than the same period in the prior fiscal year, primarily due to a remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore, partially offset by a reduction of unrecognized tax benefits related to foreign operations as a result of the lapse of statutes of limitations in fiscal 2025.

Note 13 Guarantees, Commitments and Contingencies

Guarantees

In the ordinary course of business, we provide standby letters of credit or other guarantee instruments to third parties as required for certain transactions initiated by either us or our subsidiaries. As of April 26, 2026, the maximum potential amount of future payments that we could be required to make under these guarantee agreements was approximately $327 million. We have not recorded any liability in connection with these guarantee agreements beyond that required to appropriately account for the underlying transaction being guaranteed. We do not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under these guarantee agreements.

We also have agreements with various banks to facilitate subsidiary banking operations worldwide, including overdraft arrangements, issuance of bank guarantees, and letters of credit. As of April 26, 2026, we have provided parent guarantees to banks for approximately $297 million to cover these arrangements.

Legal Matters

From time to time, we receive notification from third parties, including customers and suppliers, seeking indemnification, litigation support, payment of money or other actions by us in connection with claims made against them. In addition, from time to time, we receive notification from third parties claiming that we may be or are infringing or misusing their intellectual property or other rights. We also are subject to various legal proceedings, government investigations or inquiries, and claims, both asserted and unasserted, that arise in the ordinary course of business. These matters are subject to uncertainties, and we cannot predict the outcome of these matters, or governmental inquiries or proceedings that may occur. Although the outcome of the above-described matters, claims and proceedings cannot be predicted with certainty, we do not believe at this time that any of the above-described matters will have a material effect on our consolidated financial condition or results of operations.

As previously disclosed, on February 11, 2026, we entered into a settlement agreement with the U.S. Commerce Department Bureau of Industry and Security (BIS) to resolve its inquiry relating to certain China customer shipments and export controls compliance and agreed to pay BIS an amount of $253 million, which we paid in full during our second quarter of fiscal 2026. The settlement agreement with BIS requires us to conduct internal audits of our export controls compliance program and maintain export compliance training and reporting mechanisms. The settlement agreement also includes a denial order that is suspended and will be waived three years after the date of the order issued under the settlement agreement, provided that we have timely completed the audit requirements.

Note 14 Industry Segment Operations

Our two reportable segments are: Semiconductor Systems and Applied Global Services (AGS). Segment information is presented based upon our management organization structure as of April 26, 2026 and the distinctive nature of each segment. Future changes to this internal financial structure may result in changes to our reportable segments.

The Semiconductor Systems segment includes semiconductor capital equipment to enable materials engineering steps including etch, rapid thermal processing, deposition, chemical mechanical planarization, metrology and inspection, wafer packaging, and ion implantation.

The AGS segment provides integrated solutions to optimize equipment and fab performance and productivity, including services, spares and factory automation software for semiconductor and other products.

Effective the first quarter of fiscal 2026, we have moved our 200 millimeter (200mm) equipment business from our AGS segment to our Semiconductor Systems segment. We made this change in order to increase our operational efficiency and consolidate the reporting of our 200mm equipment with the reporting of our other capital equipment used to fabricate semiconductor chips in our Semiconductor Systems segment. In addition, effective in the first quarter of fiscal 2026, we are fully allocating corporate support costs to our reportable segments. Prior-period segment balances have been recast to conform to the current-year presentation.

Our President and Chief Executive Officer is our chief operating decision-maker (CODM). We derive the segment results directly from our internal management reporting system. The accounting policies we use to derive reportable segment results are substantially the same as those used for external reporting purposes. Management measures the performance of each reportable segment based upon several metrics including orders, revenue and operating income. Our CODM regularly reviews segment operating income to evaluate the performance of, and to assign resources to, each of the reportable segments. Actual results are compared to budgeted amounts as part of the CODM’s assessment of each segment’s performance and to make decisions about allocating resources to each segment. Our CODM does not evaluate operating segments using total asset information.

The Other category includes revenues, costs of products and operating expenses from other operating segments that do not meet the requirements for a reportable segment. We do not allocate to our reportable segments charges associated with restructuring actions, such as employee severance costs and asset impairment charges, unless the restructuring actions pertain to a specific reportable segment. Segment operating income also excludes interest income/expense and other financial charges and income taxes. Our CODM does not consider the unallocated costs in measuring the performance of the reportable segments.

Information for each reportable segment for and as of the end of each reporting period was as follows:

	Semiconductor Systems	Applied Global Services	Other	Total
	(In millions, except percentages)			
Three Months Ended April 26, 2026				
Revenue	$ 5,965	$ 1,665	$ 280	$ 7,910
Cost of products sold	2,701	1,088	174	3,963
Gross profit	$ 3,264	$ 577	$ 106	$ 3,947
Gross margin	54.7 %	34.7 %		49.9 %
Operating expenses:				
Research, development and engineering	865	20	142	1,027
Selling, general and administrative	307	70	20	397
Operating income (loss)	$ 2,092	$ 487	$ (56)	$ 2,523
Operating margin	35.1 %	29.2 %		31.9 %
Depreciation and amortization	$ 101	$ 16	$ 18	$ 135
Capital expenditures	$ 120	$ 14	$ 501	$ 635
Balance as of April 26, 2026				
Accounts receivable	$ 4,820	$ 1,265	$ 287	$ 6,372
Inventories	$ 4,309	$ 1,852	$ 182	$ 6,343
Goodwill	$ 2,661	$ 964	$ 199	$ 3,824

	Semiconductor Systems	Applied Global Services	Other	Total
	(In millions, except percentages)			
Six Months Ended April 26, 2026				
Revenue	$ 11,106	$ 3,224	$ 592	$ 14,922
Cost of products sold	5,048	2,110	382	7,540
Gross profit	$ 6,058	$ 1,114	$ 210	$ 7,382
Gross margin	54.5 %	34.5 %		49.5 %
Operating expenses:				
Research, development and engineering	1,663	38	254	1,955
Selling, general and administrative	623	151	34	808
Legal settlement	253	—	—	253
Restructuring charges	—	—	12	12
Operating income (loss)	$ 3,519	$ 925	$ (90)	$ 4,354
Operating margin	31.7 %	28.7 %		29.2 %
Depreciation and amortization	$ 182	$ 30	$ 50	$ 262
Capital expenditures	$ 196	$ 24	$ 1,061	$ 1,281

	Semiconductor Systems	Applied Global Services	Other	Total
	(In millions, except percentages)			
Three Months Ended April 27, 2025				
Revenue	$ 5,401	$ 1,420	$ 279	$ 7,100
Cost of products sold	2,512	944	159	3,615
Gross profit	$ 2,889	$ 476	$ 120	$ 3,485
Gross margin	53.5 %	33.5 %		49.1 %
Operating expenses:				
Research, development and engineering	774	18	101	893
Selling, general and administrative	345	80	(2)	423
Operating income (loss)	$ 1,770	$ 378	$ 21	$ 2,169
Operating margin	32.8 %	26.6 %		30.5 %
Depreciation and amortization	$ 73	$ 12	$ 18	$ 103
Capital expenditures	$ 118	$ 19	$ 373	$ 510
Balance as of April 27, 2025				
Accounts receivable	$ 4,925	$ 1,159	$ 103	$ 6,187
Inventories	$ 3,666	$ 1,804	$ 186	$ 5,656
Goodwill	$ 2,544	$ 964	$ 240	$ 3,748

	Semiconductor Systems	Applied Global Services	Other	Total
	(In millions, except percentages)			
Six Months Ended April 27, 2025				
Revenue	$ 10,998	$ 2,773	$ 495	$ 14,266
Cost of products sold	5,123	1,860	302	7,285
Gross profit	$ 5,875	$ 913	$ 193	$ 6,981
Gross margin	53.4 %	32.9 %		48.9 %
Operating expenses:				
Research, development and engineering	1,508	32	212	1,752
Selling, general and administrative	725	167	(7)	885
Operating income (loss)	$ 3,642	$ 714	$ (12)	$ 4,344
Operating margin	33.1 %	25.7 %		30.5 %
Depreciation and amortization	$ 142	$ 24	$ 42	$ 208
Capital expenditures	$ 225	$ 23	$ 643	$ 891

Semiconductor Systems revenue is recognized at a point in time. AGS revenue is recognized at a point in time for tangible goods such as spare parts and equipment, and over time for service agreements. The majority of revenue recognized over time is recognized within 12 months of the contract inception.

Two customers accounted for approximately 21% and 15%, respectively, of our revenue for the six months ended April 26, 2026. No other customer accounted for greater than 10% of our revenue for the six months ended April 26, 2026.

Revenue for Semiconductor Systems by market for the periods presented were as follows:

	Three Months Ended		Six Months Ended	
	April 26, 2026	April 27, 2025	April 26, 2026	April 27, 2025
Foundry, logic and other	67 %	66 %	65 %	68 %
Dynamic random-access memory (DRAM)	29 %	27 %	31 %	27 %
Flash memory (NAND)	4 %	7 %	4 %	5 %
	100 %	100 %	100 %	100 %

Revenue by geographic region, determined by the location of customers' facilities to which products were shipped and services were performed, was as follows:

	Three Months Ended					Six Months Ended				
	April 26, 2026		April 27, 2025		Change	April 26, 2026		April 27, 2025		Change
	(In millions, except percentages)									
China	$ 2,087	27 %	$ 1,774	25 %	18 %	$ 4,182	28 %	$ 4,017	28 %	4 %
Korea	1,572	20 %	1,562	22 %	1 %	3,030	20 %	3,229	23 %	(6)%
Taiwan	2,155	27 %	1,997	28 %	8 %	3,877	26 %	3,180	22 %	22 %
Japan	623	8 %	572	8 %	9 %	1,148	8 %	1,112	8 %	3 %
Southeast Asia	185	2 %	135	2 %	37 %	520	3 %	421	3 %	24 %
Asia Pacific	6,622	84 %	6,040	85 %	10 %	12,757	85 %	11,959	84 %	7 %
United States	941	12 %	808	11 %	16 %	1,597	11 %	1,725	12 %	(7)%
Europe	347	4 %	252	4 %	38 %	568	4 %	582	4 %	(2)%
Total	$ 7,910	100 %	$ 7,100	100 %	11 %	$ 14,922	100 %	$ 14,266	100 %	5 %

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following management's discussion and analysis is provided in addition to the accompanying consolidated condensed financial statements and notes, and for a full understanding of our results of operations and financial condition should be read in conjunction with the consolidated condensed financial statements and notes included in this Form 10-Q and the financial statements and notes for the fiscal year ended October 26, 2025 contained in our Form 10-K filed on December 12, 2025.

This report contains forward-looking statements that involve a number of risks and uncertainties. Examples of forward-looking statements include those regarding our future financial or operating results, customer demand and spending, end-user demand, trends and outlooks in our markets and industries, cash flows and cash deployment strategies, declaration of dividends, share repurchases, business strategies and priorities, costs and cost controls, products, competitive positions, management's plans and objectives for future operations, research and development, acquisitions, investments and divestitures, growth opportunities, restructuring and severance activities, backlog, working capital, liquidity, investment portfolio and policies, taxes, supply chain, manufacturing, properties, legal matters, claims and proceedings, and other statements that are not historical facts, as well as their underlying assumptions. Forward-looking statements may contain words such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "intend," "potential" and "continue," the negative of these terms, or other comparable terminology. All forward-looking statements are subject to risks and uncertainties and other important factors, including those discussed in Part II, Item 1A, "Risk Factors," below and elsewhere in this report. These and many other factors could affect our future financial condition and operating results and could cause actual results to differ materially from expectations based on forward-looking statements made in this document or elsewhere by us or on our behalf. Forward-looking statements are based on management's estimates, projections and expectations as of the date hereof, and we undertake no obligation to revise or update any such statements.

Overview

We provide equipment, services and software to the semiconductor and related industries. Our customers include manufacturers of semiconductor wafers and chips and other electronic devices. Our customers' products are used in a wide variety of products such as personal computing devices, mobile phones, artificial intelligence (AI) and data center servers, automobiles, connected devices, industrial applications and consumer electronics. Each of our segments is subject to variable industry conditions, as demand for equipment and services can change depending on supply and demand for chips and other electronic devices, as well as other factors, such as global economic, political and market conditions, and the nature and timing of technological advances in fabrication processes.

Our strategic priorities include developing products that help solve customers' challenges at technology inflections, growing our service business, and expanding our served market opportunities in the semiconductor industry. Our long-term growth strategy requires continued development of new materials engineering capabilities, including products and platforms that enable expansion into new and adjacent markets. Our significant investments in research, development and engineering (RD&E) are intended to enable us to deliver new products and technologies before the emergence of strong demand, allowing customers to incorporate these products into their manufacturing plans during early-stage technology selection. We collaborate closely with our global customers to design systems and processes to meet their technical and production requirements.

Our future operating results depend to a considerable extent on our ability to maintain a competitive advantage in the equipment and service products we provide. Development cycles depend on whether the product is an enhancement of an existing product, which typically has a shorter development cycle, or a new product, which typically has a longer development cycle. Most of our existing products resulted from internal development activities and innovations involving new technologies, materials and processes. In certain instances, we acquire technologies, either in existing or new product areas, to complement our existing technology capabilities and to reduce time to market. Product development and manufacturing activities occur primarily in the United States, Europe, Israel, and Asia. Our portfolio of equipment and service products is highly technical and is sold primarily through a direct sales force.

We believe that it is critical to make substantial investments in RD&E to assure the availability of innovative technology that meets the current and projected requirements of our customers' most advanced designs. We have invested and continue to invest in RD&E in order to continue to offer new products and technologies.

We operate in two reportable segments: Semiconductor Systems and Applied Global Services® (AGS). A summary of financial information for each reportable segment is found in Note 14 of Notes to Consolidated Condensed Financial Statements. A discussion of factors that could affect our operations is set forth under "Risk Factors" in Part II, Item 1A, which is incorporated herein by reference.

Our results are driven primarily by customer spending on capital equipment and services to support key technology transitions or changes in production volume in response to worldwide demand for semiconductors.

The Semiconductor Systems segment is comprised primarily of capital equipment used to fabricate semiconductor chips. Spending by semiconductor customers, which include companies that operate in the foundry, logic, memory, and other semiconductor chip markets, is driven by demand for products such as smartphones, mobile devices, personal computers (PC), servers for artificial intelligence (AI) and data centers, automobiles, clean energy, storage, and other products, and the nature and timing of technological advances in fabrication processes. The growth of data and emerging end-market drivers such as AI, the internet of things, robotics and smart vehicles are also creating the next wave of growth for the industry. As a result, products within the Semiconductor Systems segment are subject to significant changes in customer requirements, including transitions to smaller dimensions, increasingly complex chip architectures, new materials and an increasing number of applications. Spending can also depend on customer facility readiness and timeline for installation of capital equipment at customer sites. Development efforts are focused on solving customers' key technical challenges in patterning, transistor, interconnect, process control, and packaging performance.

The AGS segment provides services, spares and factory automation software to customer fabrication plants globally to help customers optimize performance of our large, global installed base of semiconductor and other products. Demand for AGS' service and spares is driven by our large and growing installed base of manufacturing systems, and customers' needs to shorten ramp times, improve system performance, and optimize factory output and operating costs. Industry conditions that affect AGS' sales of spares and services are primarily characterized by changes in semiconductor manufacturers' wafer starts and utilization rates, growth of the installed base of equipment and growing service intensity of newer tools. Our strategy is to continue to shift the AGS' service and spares business to a subscription agreement model, improving customer factory performance and optimizing operating costs, and providing us a more predictable revenue stream.

Effective the first quarter of fiscal 2026, we have moved our 200 millimeter (200mm) equipment business from our AGS segment to our Semiconductor Systems segment. We made this change in order to increase our operational efficiency and consolidate the reporting of our 200mm equipment with the reporting of our other capital equipment used to fabricate semiconductor chips in our Semiconductor Systems segment. In addition, effective in the first quarter of fiscal 2026, we are fully allocating corporate support costs to our reportable segments. Prior-period segment balances have been recast to conform to the current-year presentation.

The Other category includes revenues, costs of products and operating expenses from other operating segments that do not meet the requirements for a reportable segment. We do not allocate to our reportable segments charges associated with restructuring actions, such as employee severance costs and asset impairment charges, unless the restructuring actions pertain to a specific reportable segment. Segment operating income also excludes interest income/expense and other financial charges and income taxes.

The United States government has implemented export regulations for U.S. semiconductor technology sold or provided to customers in China, which have limited our ability to provide certain products and services to customers in China, over the past several years. The U.S. government continues to issue new export licensing requirements, and additional updates and other requirements that have had the effect of further limiting our ability to provide certain products and services to customers outside the U.S., including in China. Also, the United States has announced changes to its trade policy, including increased tariffs on imports. These actions have caused substantial uncertainty and have resulted in retaliatory measures, including new tariffs on U.S. goods imposed by China and other countries. Some of these actions have been followed by announcements of limited exemptions and temporary pauses. For a description of these risks, see the risk factors entitled "*Business and Industry Risks - Global trade issues and changes in and uncertainties with respect to trade policies and export regulations, including import and export license requirements, trade sanctions, tariffs and international trade disputes, have adversely impacted and could further adversely impact our business and operations, and reduce the competitiveness of our products and services relative to local and global competitors*" and "*Business and Industry Risks - We are exposed to risks and uncertainty related to changes in trade policies, and increased tariffs and trade disputes*" in Part II, Item 1A, "Risk Factors."

Results of Operations

Fiscal 2026 and 2025 each contain 52 weeks and the first six months of fiscal 2026 and 2025 each contained 26 weeks.

The following table presents certain significant measurements for the periods presented:

	Three Months Ended			Six Months Ended		
	April 26, 2026	April 27, 2025	Change	April 26, 2026	April 27, 2025	Change
	(In millions, except per share amounts and percentages)					
Revenue	$ 7,910	$ 7,100	$ 810	$ 14,922	$ 14,266	$ 656
Gross margin	49.9 %	49.1 %	0.8 points	49.5 %	48.9 %	0.6 points
Operating income	$ 2,523	$ 2,169	$ 354	$ 4,354	$ 4,344	$ 10
Operating margin	31.9 %	30.5 %	1.4 points	29.2 %	30.5 %	(1.3) points
Net income	$ 2,806	$ 2,137	$ 669	$ 4,832	$ 3,322	$ 1,510
Earnings per diluted share	$ 3.51	$ 2.63	$ 0.88	$ 6.05	$ 4.08	$ 1.97

Revenue

Revenue by segment for the periods presented were as follows:

	Three Months Ended					Six Months Ended				
	April 26, 2026		April 27, 2025		Change	April 26, 2026		April 27, 2025		Change
	(In millions, except percentages)									
Semiconductor Systems	$ 5,965	75 %	$ 5,401	76 %	10 %	$ 11,106	74 %	$ 10,998	77 %	1 %
Applied Global Services	1,665	21 %	1,420	20 %	17 %	3,224	22 %	2,773	19 %	16 %
Other	280	4 %	279	4 %	— %	592	4 %	495	4 %	20 %
Total	$ 7,910	100 %	$ 7,100	100 %	11 %	$ 14,922	100 %	$ 14,266	100 %	5 %

Revenue for Semiconductor Systems by market for the periods presented were as follows:

	Three Months Ended		Six Months Ended	
	April 26, 2026	April 27, 2025	April 26, 2026	April 27, 2025
Foundry, logic and other	67 %	66 %	65 %	68 %
Dynamic random-access memory (DRAM)	29 %	27 %	31 %	27 %
Flash memory (NAND)	4 %	7 %	4 %	5 %
	100 %	100 %	100 %	100 %

Revenue in the three and six months ended April 26, 2026 increased compared to the same periods in the prior year. Gross margin in the three and six months ended April 26, 2026 increased compared to the same periods in the prior year primarily driven by higher revenue and increases in average selling prices.

The Semiconductor Systems segment continued to represent the largest contributor of revenue. Semiconductor Systems revenue increased for the three and six months ended April 26, 2026 compared to the same periods in the prior year. Foundry and logic customers' spending increased for the three months ended April 26, 2026 compared to the same period in the prior year primarily driven by increased demand for leading-edge manufacturing technologies. Foundry and logic customers' spending decreased for the six months ended April 26, 2026 compared to the same period in the prior year primarily driven by reduced demand for trailing edge logic systems. Memory customers' spending in the three and six months ended April 26, 2026 was higher compared to the same periods in the prior year primarily due to increased customer investments in DRAM technology transitions.

Our AGS revenue increased in the three and six months ended April 26, 2026 compared to the same periods in the prior year primarily due to higher long-term service agreement revenue and customer spending on spares.

Revenue by geographic region, determined by the location of customers' facilities to which products were shipped and services were performed, was as follows:

	Three Months Ended					Six Months Ended				
	April 26, 2026		April 27, 2025		Change	April 26, 2026		April 27, 2025		Change
	(In millions, except percentages)									
China	$ 2,087	27 %	$ 1,774	25 %	18 %	$ 4,182	28 %	$ 4,017	28 %	4 %
Korea	1,572	20 %	1,562	22 %	1 %	3,030	20 %	3,229	23 %	(6)%
Taiwan	2,155	27 %	1,997	28 %	8 %	3,877	26 %	3,180	22 %	22 %
Japan	623	8 %	572	8 %	9 %	1,148	8 %	1,112	8 %	3 %
Southeast Asia	185	2 %	135	2 %	37 %	520	3 %	421	3 %	24 %
Asia Pacific	6,622	84 %	6,040	85 %	10 %	12,757	85 %	11,959	84 %	7 %
United States	941	12 %	808	11 %	16 %	1,597	11 %	1,725	12 %	(7)%
Europe	347	4 %	252	4 %	38 %	568	4 %	582	4 %	(2)%
Total	$ 7,910	100 %	$ 7,100	100 %	11 %	$ 14,922	100 %	$ 14,266	100 %	5 %

Operating Expenses

Operating expenses for the periods presented were as follows:

	Three Months Ended			Six Months Ended		
	April 26, 2026	April 27, 2025	Change	April 26, 2026	April 27, 2025	Change
	(In millions)					
Research, development and engineering (RD&E)	$ 1,027	$ 893	$ 134	$ 1,955	$ 1,752	$ 203
Marketing and selling	$ 233	$ 216	$ 17	$ 455	$ 422	$ 33
General and administrative (G&A)	$ 164	$ 207	$ (43)	$ 353	$ 463	$ (110)
Legal settlement	$ —	$ —	$ —	$ 253	$ —	$ 253
Restructuring charges	$ —	$ —	$ —	$ 12	$ —	$ 12

RD&E expenses for the three and six months ended April 26, 2026 increased compared to the same periods in the prior year, primarily due to additional headcount to support our ongoing investments in product development initiatives and higher depreciation expenses, consistent with our growth strategy. We continued to prioritize RD&E investments in technical capabilities and critical RD&E programs in current and new markets.

Marketing and selling expenses for the three and six months ended April 26, 2026 increased compared to the same periods in the prior year primarily due to higher employee related expenses and higher corporate support costs.

G&A expenses for the three and six months ended April 26, 2026 decreased compared to the same periods in the prior year primarily due to lower corporate support costs.

In the first six months of fiscal 2026, we recorded a charge of $253 million related to a settlement agreement which resolved a previously disclosed export controls compliance matter. See the information under the heading “Legal Matters” in Note 13 of the Notes to Consolidated Condensed Financial Statements for information regarding this matter and the settlement agreement.

In the first six months of fiscal 2026, we recognized $12 million in restructuring charges, consisting primarily of severance and other employment termination benefits incurred in connection with the approved Fiscal 2025 Restructuring Plan.

Interest Expense and Interest and Other Income (expense), net

Interest expense and interest and other income (expense), net for the periods presented were as follows:

	Three Months Ended			Six Months Ended		
	April 26, 2026	April 27, 2025	Change	April 26, 2026	April 27, 2025	Change
			(In millions)			
Interest expense	$ 69	$ 68	$ 1	$ 138	$ 132	$ 6
Interest and other income (expense), net	$ 771	$ 221	$ 550	$ 1,337	$ 229	$ 1,108

Interest expense incurred was primarily associated with our senior unsecured notes. Interest expense in the six months ended April 26, 2026 increased compared to the same periods in the prior year, primarily due to our issuance of senior unsecured notes in September 2025.

Interest and other income (expense), net in the three and six months ended April 26, 2026 increased compared to the same periods in the prior year, primarily driven by higher net unrealized gain on equity investments.

Income Taxes

Provision for income taxes and effective tax rates for the periods presented were as follows:

	Three Months Ended			Six Months Ended		
	April 26, 2026	April 27, 2025	Change	April 26, 2026	April 27, 2025	Change
			(In millions, except percentages)			
Provision for income taxes	$ 419	$ 185	$ 234	$ 721	$ 1,119	$ (398)
Effective income tax rate	13.0 %	8.0 %	5.0 points	13.0 %	25.2 %	(12.2) points

Our provision for income taxes and effective tax rate are affected by the geographical composition of pre-tax income, which includes jurisdictions with differing tax rates, conditional reduced tax rates and other income tax incentives. It is also affected by events that vary from period to period, such as changes in income tax laws and the resolution of prior years’ income tax filings.

Our effective tax rates for the second quarter of fiscal 2026 and 2025 were 13.0 percent and 8.0 percent, respectively. The effective tax rate for the second quarter of fiscal 2026 was higher compared to the same period in the prior fiscal year, primarily due to a reduction of unrecognized tax benefits related to foreign operations as a result of the lapse of statutes of limitations in fiscal 2025.

Our effective tax rates for the first six months of fiscal 2026 and 2025 were 13.0 percent and 25.2 percent, respectively. The effective tax rate for the first six months of fiscal 2026 was lower than the same period in the prior fiscal year, primarily due to a remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore, partially offset by a reduction of unrecognized tax benefits related to foreign operations as a result of the lapse of statutes of limitations in fiscal 2025.

Segment Operating Income (Loss)

Operating income (loss) by segment for the periods presented was as follows:

	Three Months Ended				Six Months Ended			
	April 26, 2026	April 27, 2025	Change		April 26, 2026	April 27, 2025	Change	
	(In millions, except percentages and ratios)							
Operating income (loss)								
Semiconductor Systems	$ 2,092	$ 1,770	$ 322	18 %	$ 3,519	$ 3,642	$ (123)	(3)%
Applied Global Services	487	378	109	29 %	925	714	211	30 %
Other	(56)	21	(77)	(367)%	(90)	(12)	(78)	650 %
Total	$ 2,523	$ 2,169	$ 354		$ 4,354	$ 4,344	$ 10	
Operating margin								
Semiconductor Systems	35.1 %	32.8 %	2.3 points		31.7 %	33.1 %	(1.4) points	
Applied Global Services	29.2 %	26.6 %	2.6 points		28.7 %	25.7 %	3.0 points	

Semiconductor Systems’ operating margin for the three months ended April 26, 2026 increased compared to the same period in the prior year primarily driven by higher revenue and increases in average selling prices, partially offset by increased RD&E expenses. Semiconductor Systems’ operating margin for the six months ended April 26, 2026 decreased compared to the same period in the prior year primarily driven by a legal settlement charge related to a previously disclosed export controls compliance matter, increased RD&E expenses, partially offset by higher revenue and increases in average selling prices.

AGS’ operating margin for the three and six months ended April 26, 2026 increased compared to the same periods in the prior year primarily due to higher revenue from services and spares and favorable changes in customer and product mix.

Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

Accounting for Government Grants Received by Business Entities. In December 2025, the Financial Accounting Standards Board (FASB) issued an accounting standard update establishing authoritative guidance on the accounting for government grants received by business entities, including grants related to an asset and grants related to income. This authoritative guidance will be effective for us beginning with our interim and annual reporting for fiscal year 2030, with early adoption permitted. The standard allows for adoption on a modified prospective, modified retrospective, or full retrospective basis. We are evaluating the effect of this guidance on our consolidated financial statements and related disclosures.

Targeted Improvements to the Accounting for Internal-Use Software. In September 2025, the FASB issued an accounting standard update to increase the operability of the recognition guidance considering different methods of software development by replacing the current stage-based capitalization model with a principles-based approach. Under the new guidance, costs are capitalized once management authorizes and commits to funding the software project, and it is probable that both the project will be completed and the software will be used to perform the function intended. This authoritative guidance will be effective for us beginning with our interim and annual reporting for fiscal year 2029, with early adoption permitted. We are evaluating the effect of this guidance on our consolidated financial statements and related disclosures.

Measurement of Credit Losses for Accounts Receivable and Contract Assets. In July 2025, the FASB issued an accounting standard update to provide a practical expedient that simplifies the calculation of expected credit losses (Topic 326). The practical expedient allows an entity to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset, therefore, an entity will no longer need to develop reasonable and supportable forecasts of future economic conditions. This authoritative guidance will be effective for us beginning with our interim and annual reporting for fiscal year 2027, with early adoption permitted. Although this guidance will simplify our process of calculating expected credit losses on accounts receivable and contract assets, we do not expect this guidance to materially impact our consolidated financial statements or related disclosures.

Disaggregation of Income Statement Expenses. In November 2024, the FASB issued an accounting standard update to improve income statement expenses disclosures (Subtopic 220-40). The standard requires more detailed information related to the types of expenses, including (among other items) the amounts of purchases of inventory, employee compensation, depreciation and intangible asset amortization included within each interim and annual income statement's expense caption, as applicable. This authoritative guidance can be applied prospectively or retrospectively and will be effective for us in fiscal 2028 for annual periods and in the first quarter of fiscal 2029 for interim periods, with early adoption permitted. We are evaluating the effect of this guidance on our consolidated financial statements and related disclosures.

Improvements to Income Tax Disclosures. In December 2023, the FASB issued an accounting standard update to improve income tax disclosures (Topic 740). The standard prescribes specific categories for the components of the effective tax rate reconciliation, requires disclosure of income taxes paid by jurisdiction, and modifies other income tax-related disclosures. This authoritative guidance will be effective for us beginning with our annual reporting for fiscal year 2026. We are evaluating the effect of this guidance on our consolidated financial statements and related disclosures.

Accounting Standards Adopted

For a description of recently adopted accounting standards, including the date of adoption and the effect, if any, on our consolidated financial statements, see Note 1 "Basis of Presentation and Recently Adopted Accounting Standards," of the Notes to Consolidated Condensed Financial Statements.

Financial Condition, Liquidity and Capital Resources

Our cash, cash equivalents and investments consisted of the following:

	April 26, 2026	October 26, 2025
	(In millions)	
Cash and cash equivalents	$ 6,301	$ 7,241
Short-term investments	1,940	1,332
Long-term investments	5,142	4,327
Total cash, cash equivalents and investments	$ 13,383	$ 12,900

Sources and Uses of Cash

A summary of cash provided by (used in) operating, investing, and financing activities was as follows:

	Six Months Ended	
	April 26, 2026	April 27, 2025
	(In millions)	
Cash provided by operating activities	$ 2,531	$ 2,496
Cash used in investing activities	$ (1,739)	$ (676)
Cash used in financing activities	$ (1,745)	$ (3,689)

Operating Activities

Cash from operating activities for the six months ended April 26, 2026 was $2.5 billion, which reflects net income adjusted for the effect of non-cash charges and changes in working capital components. Significant non-cash charges included depreciation, amortization, gain or loss on investments or asset sale, share-based compensation, deferred income taxes and restructuring charges. Cash provided by operating activities remained relatively flat in the first six months of fiscal 2026 compared to the same period in the prior fiscal year primarily due to lower payments for income taxes offset by higher vendor payments.

Our working capital was $13.6 billion as of April 26, 2026 and $12.9 billion as of October 26, 2025.

Days sales outstanding of our accounts receivable at April 26, 2026 and April 27, 2025 were 73 days and 79 days, respectively. Days sales outstanding varies due to the timing of shipments and payment terms. The decrease in days sales outstanding was primarily driven by favorable collection performance.

Investing Activities

We used $1.7 billion of cash in investing activities during the six months ended April 26, 2026. Capital expenditures totaled $1.3 billion and purchases of investments, net of proceeds from sales and maturities of investments, were $289 million and net cash paid for acquisition was $175 million, partially offset by net proceeds from asset sale of $6 million, during the six months ended April 26, 2026.

Our investment portfolio consists principally of investment grade money market mutual funds, U.S. Treasury and agency securities, municipal bonds, corporate bonds and mortgage-backed and asset-backed securities, as well as equity securities. We regularly monitor the credit risk in our investment portfolio and take appropriate measures, which may include the sale of certain securities, to manage such risks prudently in accordance with our investment policies.

Financing Activities

We used $1.7 billion of cash in financing activities during the six months ended April 26, 2026, consisting primarily of cash used for repurchases of common stock of $737 million, cash dividends paid to stockholders totaling $730 million, tax withholding payments for vested equity awards of $309 million and net payments on commercial paper notes of $100 million, partially offset by proceeds received from common stock issuances of $131 million under our employees' stock purchase plan.

We currently anticipate that cash dividends will continue to be paid on a quarterly basis, although the declaration of any future cash dividend is at the discretion of the Board of Directors and will depend on our financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination by the Board of Directors that cash dividends are in the best interests of our stockholders.

In March 2025, our Board of Directors approved a common stock repurchase program authorizing $10.0 billion in repurchases, which supplemented the previous $10.0 billion authorization approved in March 2023. As of April 26, 2026, approximately $13.2 billion remained available for future stock repurchases under the repurchase program.

We have credit facilities for unsecured borrowings in various currencies of up to an aggregate amount of $4.1 billion. These credit facilities consist of a $2.0 billion five-year committed revolving credit agreement with a group of banks (Five-Year Credit Agreement), a $2.0 billion 364-day committed revolving credit agreement with a group of banks (364-Day Credit Agreement), and revolving credit facilities with Japanese banks pursuant to which we may borrow up to approximately $50 million in aggregate at any time. The Five-Year Credit Agreement is scheduled to expire in February 2030, unless extended as permitted under the terms of the agreement. The 364-Day Credit Agreement is scheduled to expire in September 2026, provided, however, if any loans are outstanding on the maturity date, we may convert all or part of such loans to term loans that will mature in September 2027, subject to payment of a fee by us and other customary conditions. The Five-Year Credit Agreement and the 364-Day Credit Agreement each include financial and other covenants with which we were in compliance as of April 26, 2026. No amounts were outstanding under any of these credit facilities as of April 26, 2026. See Note 9, Borrowing Facilities and Debt, of the Notes to the Consolidated Condensed Financial Statements for further discussion related to our Revolving Credit Agreement and other credit facilities.

We have a short-term commercial paper program under which we may issue unsecured commercial paper notes up to a total of $4.0 billion. The proceeds from the issuances of commercial paper are used for general corporate purposes. As of April 26, 2026, we had no commercial paper notes outstanding.

We had senior unsecured notes in the aggregate principal amount of $6.5 billion outstanding as of April 26, 2026. See Note 9 of the Notes to the Consolidated Condensed Financial Statements for additional discussion of existing debt.

We may seek to refinance our existing debt and may incur additional indebtedness depending on our capital requirements, general corporate purposes and the availability of financing.

In the ordinary course of business, we provide standby letters of credit or other guarantee instruments to third parties as required for certain transactions initiated by either us or our subsidiaries. We also have agreements with various banks to facilitate subsidiary banking operations worldwide, including overdraft arrangements, issuance of bank guarantees, and letters of credit. See Note 13 of the Notes to the Consolidated Condensed Financial Statements for additional discussion related to our guarantee agreements and arrangements.

Other

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act (Tax Act). The Tax Act required a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries to be paid in installments beginning in fiscal 2018. The transition tax expense has been fully paid as of April 26, 2026.

On August 9, 2022, the U.S. government enacted the U.S. CHIPS and Science Act (CHIPS Act). The CHIPS Act creates a 25% investment tax credit for certain investments in domestic semiconductor manufacturing. The credit is provided for qualifying property, which is placed in service after December 31, 2022, for which construction begins before January 1, 2027, and is treated as a government grant recognized against property, plant and equipment and a reduction of income taxes payable or an increase to taxes receivable for any credit expected to be refunded. We recognize this investment tax credit when there is reasonable assurance that we will qualify for the credit and the benefit will be received. As of April 26, 2026, we have recorded $1.1 billion of investment tax credits, of which $63 million was recorded in other current assets and will offset fiscal 2026 income tax liabilities, and $1.0 billion was recorded in deferred income taxes and other assets and is expected to be refunded.

On July 4, 2025, the U.S. government enacted the One Big Beautiful Bill Act (OBBBA). The OBBBA includes a broad range of tax reform provisions including extending and modifying certain key Tax Act provisions and expanding certain CHIPS Act incentives. These changes include full expensing of domestic research costs, immediate expensing of qualifying property and increasing the investment tax credit for certain investments in domestic semiconductor manufacturing from 25% to 35%. Key tax provisions of the OBBBA are designed to accelerate tax deductions but that may have a detrimental impact on our ability to use certain tax credits. The use of certain tax credits may not be economically viable if it requires electing to forgo significant tax deductions. Most of the provisions are effective beginning in fiscal years 2026 or 2027. The most impactful provisions in fiscal year 2026 include immediate expensing of U.S. performed research costs and the increase in the investment tax credit from 25% to 35% for qualifying property placed in service after December 31, 2025.

Various countries where we do business have enacted or plan to enact new tax laws to implement the global minimum tax regimes based on the Organization for Economic Cooperation and Development Base Erosion and Profit Shifting Project, and where enacted, the rules began to be effective in fiscal 2025. The currently enacted legislation is expected to materially increase our foreign taxes beginning in the first quarter of fiscal 2026, primarily due to the implementation of the global minimum tax regime in Singapore. We continue to monitor developments and evaluate impacts, if any, of these rules on our results of operations and cash flows. Tax authorities and standard-setting bodies continue to issue new guidance, and the ultimate impact of these rules remains subject to ongoing interpretation and implementation. The adoption and effective dates of these rules vary by country and could increase tax complexity and uncertainty and may adversely affect our provision for income taxes in future years.

We have been granted additional conditional reduced tax rates in Singapore that expire beginning in fiscal 2030.

Although cash requirements will fluctuate based on the timing and extent of factors such as those discussed above, our management believes that cash generated from operations, together with the liquidity provided by existing cash balances and borrowing capability, will be sufficient to satisfy our liquidity requirements for the next 12 months. For further details regarding our operating, investing and financing activities, see the Consolidated Condensed Statements of Cash Flows in this report.

Critical Accounting Estimates

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported.

Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within our control and will not be known for prolonged periods of time. These uncertainties include those discussed in Part II, Item 1A, “Risk Factors.”

Consistent with what we disclosed in Item 7 of our fiscal 2025 Form 10-K that was filed on December 12, 2025, management believes that Income Taxes are a critical accounting estimate.

Item 3: *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to financial market risks, including fluctuations in interest rates and foreign currency exchange rates. For information about our exposure to market risks as of October 26, 2025, see Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for the fiscal year ended October 26, 2025.

Interest Rate Risk

Available-for-sale Debt Securities – We are subject to interest rate risk related to our investments in debt securities. The market value of our investments in available-for-sale securities was approximately $4.5 billion at April 26, 2026. An immediate hypothetical 100 basis point increase in interest rates would result in a decrease in the fair value of investments as of April 26, 2026 of approximately $48 million.

Debt - We are subject to interest rate volatility with regard to existing and future issuances of debt. At April 26, 2026, the aggregate principal amount of long-term senior unsecured notes issued by us was $5.3 billion with an estimated fair value, excluding the associated interest rate swaps, of $4.9 billion. A hypothetical decrease in interest rates of 100 basis points would result in an increase in the fair value of our long-term senior note issuances of approximately $416 million at April 26, 2026. From time to time, we use interest rate swaps or rate lock agreements to mitigate the potential impact of changes in benchmark interest rates on interest expense and cash flows. A hypothetical 100 basis point increase in interest rates would result in a decrease in the fair value of these hedging contracts of $29 million at April 26, 2026.

Foreign Currency Risk

Certain of our operations are conducted in foreign currencies, such as Japanese yen, Israeli shekel, euro and Taiwanese dollar. Hedges are used to reduce, but not eliminate, the impact of foreign currency exchange rate movements on the consolidated balance sheet, statement of operations, and statement of cash flows. A hypothetical 10% adverse change in foreign currency exchange rates relative to the U.S. Dollar would result in a decrease in the fair value of these hedging contracts of $213 million at April 26, 2026.

We use primarily foreign currency forward contracts to offset the impact of foreign exchange movements on non-U.S. dollar denominated monetary assets and liabilities. The foreign exchange gains and losses on the assets and liabilities are recorded in interest and other income (expense), net and are offset by the gains and losses on the hedges.

We use foreign currency forward and option contracts to hedge a portion of anticipated non-U.S. dollar denominated revenues and expenses expected to occur within the next 24 months. Gains and losses on these hedging contracts generally mitigate the effect of currency movements on our revenue, cost of products sold, and operating expenses.

We do not use foreign currency forward or option contracts for trading or speculative purposes.

Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures

As of the end of the period covered by this report, our management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report in ensuring that information required to be disclosed was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to provide reasonable assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the second quarter of fiscal 2026, there were no changes in the internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

The information set forth under "Legal Matters" in Note 13 of the Notes to Consolidated Condensed Financial Statements is incorporated herein by reference. See also *"Risk Factors – Legal, Compliance, and Other Risks – We are exposed to risks related to legal proceedings, claims and investigations."* in Part II, Item 1A, "Risk Factors."

Item 1A: *Risk Factors*

The risk factors set forth below include any material changes to, and supersede the description of, the risk factors disclosed in Part I, Item 1A of our most recent Form 10-K. These factors could materially and adversely affect our business, financial condition or results of operations and cause reputational harm, and should be carefully considered in evaluating our business, in addition to other information presented elsewhere in this report.

Business and Industry Risks

The industries we serve can be volatile and difficult to predict.

The industries in which we operate, including the global semiconductor industry, have historically been cyclical and are subject to volatility in customer demand. Demand for our products and services is impacted by technology inflections and advances in fabrication processes, new and emerging technologies and market drivers, production capacity relative to demand for semiconductor chips and electronic devices, end-user demand, the timing of customers' investment in new or expanded fabrication plants, customers' capacity utilization, production volumes, access to affordable capital, business and consumer buying patterns and general economic and political conditions. Changes in the timing, amounts and mix of our customers' investments in technology and manufacturing equipment and between different products can significantly impact our operating results.

The growth of technologies related to artificial intelligence (AI) is a significant demand driver for the industries we serve and can require us to respond to rapid changes in demand for our products and services. If we are unable to meet the level of demand from our customers it may result in a loss of business or customer trust. The timing and amount of investments by our customers related to AI and other advanced technologies can change significantly and the related demand for our products and services is difficult to forecast. To meet our customers' demand, we must accurately forecast demand and effectively manage our resources, investments, production capacity, supply chain, workforce, inventory and other components of our business. We may incur costs in anticipation of demand that may not be realized or sustained, as well as unexpected costs to align our operations with changes in demand. If we do not effectively manage these challenges, our business performance and operating results may be adversely impacted. Even with effective allocation of resources and management of costs, our gross and operating margins, cash flows and earnings may be adversely impacted during periods of changing demand.

We are exposed to risks associated with an uncertain global economy.

Our business and the industries we serve are subject to uncertain and adverse economic and business conditions, including volatility in financial markets, national debt, fiscal or monetary concerns, inflation, changes in interest rates, bank failures, tariffs and trade policies, and economic recession. These conditions have caused, and may in the future cause, our customers to delay, cancel or reduce purchases of our equipment or services. Customers may also scale back operations, exit businesses, consolidate, or file for bankruptcy. Consolidation or strategic alliances among other equipment manufacturers could also intensify competition and adversely affect our market position. These conditions make it more difficult to forecast operating and financial results and make business and investment decisions. We may be required to implement additional cost reduction efforts, including restructuring activities, which could impair our ability to capitalize on opportunities. Even during periods of economic uncertainty or lower demand, we must continue to invest in research and development and maintain a global business infrastructure to compete effectively and support our customers. The consequences of these conditions could have an adverse effect on our business, financial condition and results of operations.

Our investment portfolio is subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by inflation, rising interest rates, bank failures or economic recession. These factors could reduce the value or liquidity of our investments or pension assets and result in impairment charges. We also maintain cash balances at financial institutions worldwide, and the insolvency of any such institution could restrict access to our cash and adversely affect our ability to manage operations.

We are exposed to the risks of operating a global business.

We have product development, engineering, manufacturing, sales and other operations distributed throughout many countries, and some of our business activities are concentrated in certain geographic areas. In the three-month period ended April 26, 2026, approximately 88% of our revenue was from customers in regions outside the United States. As a result of the global nature of our operations, we are subject to a number of factors that could have an adverse impact on our business, financial condition and results of operations. These factors include global political and social conditions, such as policies or regulations within countries, including in China, the United States and countries in Europe and Asia, that favor domestic companies over non-domestic companies, including efforts to promote the development and growth of local competitors to us, or regarding national, commercial or security issues. Other factors include geopolitical turmoil, acts of war or social unrest; our ability to maintain appropriate business processes, procedures and internal controls in our geographically diverse operations;

delays or restrictions on personnel travel and in shipping materials or products; our ability to develop relationships with local customers, suppliers and governments; performance of our geographically diverse third-party providers; impacts of regional or global health epidemics, natural disasters and extreme and chronic weather events; fluctuations in interest rates and currency exchange rates; as well as other factors discussed in this Risk Factors section. Ongoing conflict in the Middle East can exacerbate the foregoing factors and lead to regional instability and uncertain global economic conditions, including global or regional inflation, economic recession, challenges in purchasing materials used by us or by our customers in the manufacture of semiconductor chips, and disruptions to our supply chain and logistics. Any of these factors may have an adverse impact on our business and manufacturing operations or demand for our products and services, and our performance and results of operations may be adversely affected.

Global trade issues and changes in and uncertainties with respect to trade policies and export regulations, including import and export license requirements, trade sanctions, tariffs and international trade disputes, have adversely impacted and could further adversely impact our business and operations, and reduce the competitiveness of our products and services relative to local and global competitors.

A majority of our products and services are delivered to customers in jurisdictions outside of the United States, including China, Taiwan and Korea. We also purchase a significant portion of equipment and supplies from suppliers outside of the United States. There is inherent risk, based on the complex relationships among the United States and the countries in which we conduct our business, that political, diplomatic and national security factors can lead to global trade restrictions and changes in trade policies and export regulations that affect the semiconductor industry. The United States and other countries have imposed and may continue to impose new trade restrictions and export regulations, have levied tariffs and taxes on certain goods and could significantly increase or impose new tariffs on a broad array of goods. Trade restrictions and export regulations, or increased or new tariffs and additional taxes, including any retaliatory measures, can negatively impact end-user demand and customer investment in semiconductor equipment, increase our supply chain complexity and our manufacturing costs, decrease margins, reduce the competitiveness of our products, or restrict our ability to sell products, provide services or purchase necessary equipment and supplies, any or all of which could have a material and adverse effect on our business, results of operations, or financial condition.

For example, certain international sales depend on our ability to obtain export licenses, and our inability to obtain such licenses has limited and could further limit our markets and negatively impact our business. Over the past several years, the U.S. government announced additional export regulations for U.S. semiconductor technology sold in China, including wafer fabrication equipment and related parts and services, with disparate impact on companies in different jurisdictions, which have limited the market for certain of our products and services, adversely impacted our revenues and increased our exposure to foreign and Chinese domestic competition. The U.S. Department of Commerce expanded export license requirements for U.S. companies that sell certain products or provide certain services to entities in China whose actions or functions are intended to support military end uses, eliminated certain export license exceptions for exports of certain items to China, added certain Chinese companies to its “Entity List,” making those companies subject to additional licensing requirements, and expanded licensing requirements for exports to China of items for use in the development or production of integrated circuits and certain technologies. These regulations require us to obtain additional export licenses to supply certain of our products or provide services to certain customers in China. Obtaining export licenses may be difficult and time-consuming, and there is no assurance we will be issued licenses on a timely basis or at all. Our inability to obtain such licenses could limit our sales in China, may cause us to be displaced by foreign and Chinese domestic companies and adversely affect our results of operations. The implementation and interpretation of these complex rules and other regulatory actions taken by the U.S. government are uncertain and evolving and may make it more challenging for us to manage our operations and forecast our operating results. The U.S. and other governments may promulgate new or additional export licensing or other requirements that have the effect of further limiting our ability to provide certain products and services to customers outside the U.S., including China. The U.S. government may also revise or expand existing requirements or issue guidance clarifying the scope and application of these requirements, which could change the impact of these rules on our business and manufacturing operations. The U.S. government may also continue to add customers to its “Entity List,” promulgate additional restrictions, or take measures that could disrupt our product shipments or the provision of services to certain customers. These and other potential future regulatory changes could materially and adversely affect our business, results of operations or financial condition.

As a global business with customers, suppliers and operations in many countries around the world, from time to time we may receive inquiries from government authorities about transactions between us and certain foreign entities. For example, we have previously received subpoenas from government authorities requesting information relating to export controls compliance. On February 11, 2026, we entered into a settlement agreement with the U.S. Commerce Department Bureau of Industry and Security (BIS) to resolve its inquiry relating to certain China customer shipments and export controls compliance and agreed to pay BIS $253 million, which we paid in full during our second quarter of fiscal 2026, as well as conduct certain internal audits and maintain export compliance training and reporting mechanisms. Our failure to comply with the terms of the settlement agreement could result in significant penalties, including the loss of the suspension of the denial order which would prohibit us from exporting certain of our products outside of the United States. Any inquiries we may receive are subject to uncertainties, and we cannot predict the outcome of any governmental inquiries or proceedings that may occur. Any violation or alleged violation of law or regulations could result in significant legal costs or in legal proceedings in which we or our employees could be subjected to fines and penalties and could result in restrictions on our business and damage to our global brand and reputation, and could have a material and adverse impact on our business operations, financial condition and results of operations.

Furthermore, government authorities may take retaliatory actions, impose conditions that require the use of local suppliers or partnerships with local companies, require the license or other transfer of sensitive data or intellectual property, or engage in other efforts to promote local businesses and local competitors, which could have a material and adverse impact on our business. Many of these challenges are present in China and Korea, markets that represent a significant portion of our business.

We are exposed to risks and uncertainty related to changes in trade policies, and increased tariffs and trade disputes.

Our business, financial condition and results of operations may be adversely affected by uncertainty and changes in trade policies, including tariffs, and trade disputes between the United States and other countries. The United States has announced changes to its trade policy, including increased tariffs on imports. These actions have caused substantial uncertainty and have resulted in retaliatory measures, including new tariffs on U.S. goods imposed by China and other countries. Some of these actions have been followed by announcements of limited exemptions and temporary pauses and trade frameworks with certain countries.

A significant number of our customers and suppliers are located outside of the United States. Increases in tariffs increase our costs and can negatively impact our margins and reduce the competitiveness of our products due to the increase in the cost of importing materials, parts and components used in manufacturing our products. Tariffs can also increase supply chain complexity and may make it more difficult to purchase necessary equipment and supplies to manufacture our products. Increases in tariffs, including reciprocal and sector-based tariffs, also increase the cost to our customers of importing our products, which could harm customer demand for our products. Uncertainty or volatility with respect to tariffs and trade disputes may also make it difficult for us and our customers and suppliers to make and execute business and capital equipment investment plans; lead to global or regional inflation and economic recession and reduce demand for semiconductor chips and electronic devices; cause our customers to delay or cancel orders or negatively impact our competitive position; impede our ability to purchase materials, including critical materials and minerals, and disrupt supply chain and logistics. For example, in 2025 the Chinese government implemented export controls on the export of rare earth minerals that are used in certain of our products and may implement additional controls in the future. We may take actions to mitigate the impact of increases in tariffs and changes in trade policies, but there can be no assurance that we will be successful, and any such actions could result in additional costs, manufacturing delays or other difficulties, as well as additional risks, and may not be effective. Any or all of these factors may have a material and adverse impact on our business, financial condition and results of operations.

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

A relatively limited number of customers account for a substantial portion of our business. As a result, the actions of even a single customer have exposed and can further expose our business and operating results to greater volatility. Sales to individual customers and the mix and type of customers have varied and may continue to vary significantly. Our products are configured to customer specifications, and changing, rescheduling or canceling orders may result in significant, non-recoverable costs. If customers do not place orders, or substantially reduce, delay or cancel orders, we may be unable to replace the business. In addition, our customers are geographically concentrated, particularly in China, Taiwan and Korea, and export regulations that apply to customers in certain countries, such as China, have previously and may in the future adversely affect our business. The geographic concentration of our customers could shift over time due to changes in technology, the competitive landscape, and government policies and incentives to develop regional semiconductor industries. Any changes impacting our customer concentration, deterioration in a customer's financial condition or ability to perform its obligations, or efforts by a customer to obtain pricing, payment, intellectual property-related or other commercial terms that are less favorable to us, could have a material and adverse effect on our results of operations and financial condition.

Supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand, could affect our ability to meet customer demand, lead to higher costs, or result in excess or obsolete inventory.

Our ability to meet customer demand for our products and services depends in part on the timely delivery of parts, materials and services from our suppliers and contract manufacturers. Volatility in demand for our products and worldwide demand for semiconductor chips and electronic devices has in the past, and may in the future, result in shortages or delays in shipments of parts, materials and services needed to manufacture our products. Supply chain constraints and disruptions have in the past, and may in the future, increase costs of logistics and parts for our products and cause delays in our equipment production and delivery schedules. These supply chain challenges may result in significant interruptions of our manufacturing operations, delays in our ability to deliver or install products or services, increased costs, customer order cancellations or reduced demand for our products. Factors that may lead to supply chain challenges include:

- global trade issues and changes in and uncertainties with respect to trade and export regulations, trade policies and sanctions, tariffs, international trade disputes, particularly those relating to exports of certain technologies to China, where a significant portion of our supply chain is located, and any retaliatory measures, that adversely impact us or our direct or sub-tier suppliers;
- political instability, social unrest, terrorism, acts of war or other geopolitical turmoil in locations where we or our customers or suppliers have operations;
- the failure or inability to accurately forecast demand and obtain quality parts on a cost-effective basis;
- cybersecurity incidents affecting our supply chain;
- volatility in the availability and cost of parts, commodities, energy and shipping related to our products, including increased costs due to rising inflation or interest rates or other market conditions, as well as uncertainties arising from the imposition of tariffs and any retaliatory measures;
- difficulties or delays in obtaining required import or export licenses and approvals;
- shipment delays due to transportation interruptions or capacity constraints;
- a worldwide shortage of semiconductor components as a result of sharp increases in demand for semiconductor products in general;
- limited availability of critical materials and minerals, including due to any Chinese government restrictions on the export of rare earth minerals, and limited feasible alternatives to materials subject to existing or proposed regulations to limit their use (such as hydrofluorocarbons and per- and polyfluoroalkyl substances), which are found in parts, components, process chemicals and other materials supplied to us or used in the manufacturing or operations of our products; and
- impacts of natural disasters, extreme and chronic weather events, regional or global health epidemics, or other events beyond our control.

If a supplier fails to meet our requirements concerning quality, cost, intellectual property protection or other performance factors, or does not meet regulatory requirements applicable to our supply chain, we may transfer our business to alternative sources, which could result in manufacturing delays, additional costs or other difficulties, and impair our ability to protect, enforce and extract the full value of our intellectual property rights and the intellectual property rights of our customers and other third parties.

If we need to rapidly increase our business and manufacturing capacity to meet increases in demand or expedited shipment schedules, this may strain our manufacturing and supply chain operations and negatively impact our working capital. If we are unable to accurately forecast demand for our products, we may purchase more or fewer parts than necessary or incur costs for canceling, postponing or expediting delivery of parts. If we purchase or commit to purchase inventory in anticipation of customer demand that does not materialize, or the inventory is rendered obsolete by the rapid pace of technological change, or if customers reduce, delay or cancel orders, we may incur excess or obsolete inventory charges. Additionally, if anticipated levels of demand are not realized, we may incur fixed costs from underutilized production capacity and our gross margin may be adversely impacted.

Any of these events impacting our supply chain could affect our ability to meet our customers' demand, result in higher costs to us and have an adverse effect on customer relationships and our business, financial condition and results of operations.

We are exposed to various factors that impact the industries in which we operate, including factors specific to the semiconductor industry.

The largest proportion of our revenue and profitability is derived from our Semiconductor Systems segment's sale of a wide range of equipment used to fabricate semiconductor chips, and a majority of the revenue of Applied Global Services is from sales to semiconductor manufacturers. Factors particular to the semiconductor industry and other industries we operate in that impact demand for and the profitability of our products and services include:

- changes in demand for semiconductor chips and electronic devices, including those related to fluctuations in consumer buying patterns tied to general economic or geopolitical conditions, seasonality or product introductions;
- the frequency, complexity and timing of technology transitions and inflections, and our ability to anticipate and adapt to them;

- changes in demand for semiconductor chips due to changes in the timing of, level of investment in, or technologies used in the buildout of data centers, including data center buildout driven by demand for AI technologies;
- increasing costs and complexity in research and development, including due to shrinking geometries, new materials and device structures, more applications and process steps, chip design costs, and integrated manufacturing processes;
- the number of types and varieties of semiconductors and number of applications;
- high capital requirements for building and operating fabrication plants and customers' ability to obtain funding;
- trade, regulatory, tax or government incentives impacting customers' investment in new or expanded fabrication plants and semiconductor research and development;
- the cost and complexity for customers to move from product design to volume manufacturing, and the impact on investment in capital equipment;
- growth rates in the semiconductor industry and variability in semiconductor manufacturers' capital expenditures, including allocation of capital to market segments we do not serve, such as lithography, or where our products have lower relative market presence;
- delays in installation of our equipment delivered to customers;
- the importance of increasing market positions in segments with growing demand;
- customers' ability to reconfigure or reuse existing equipment, reducing demand for new equipment and services and increasing challenges in parts availability;
- the availability of spare parts to maximize the time that customers' systems are available for production;
- shorter order placement and shipment cycle times that increase reliance on forecasting customer investment, which may lead to inventory write-offs and manufacturing inefficiencies that decrease gross margin;
- competitive factors that make it difficult to enhance position, including total cost of manufacturing system ownership and other challenges in securing development-tool-of-record (DTOR) and production-tool-of-record (PTOR) positions with customers;
- consolidation among semiconductor manufacturers and semiconductor equipment suppliers;
- shifts in sourcing strategies by computer and electronics companies, and manufacturing processes for advanced circuit technologies, that impact the equipment requirements of our foundry customers;
- fragmentation of semiconductor markets, including markets too small to support new fabrication plants or that require less technologically advanced products;
- the importance of specialty markets (such as internet of things, communications, automotive, power and sensors) that use process technologies that have a low barrier to entry;
- the increasing role for and complexity of software in our products;
- the focus on reducing energy usage and improving the environmental impact and sustainability associated with manufacturing operations, and the availability of adequate and reliable sources of energy; and
- the importance of advanced packaging to AI computing.

If we do not effectively address these factors, accurately forecast and allocate appropriate resources and investment towards addressing key technology changes and inflections, successfully develop and commercialize products to meet demand for new technologies, and effectively address industry trends, our business and results of operations may be materially and adversely impacted.

The industries in which we operate are highly competitive and subject to rapid technological and market changes.

We operate in a highly competitive environment where innovation is critical, and our future success depends on our ability to anticipate and respond to technology inflections, evolving customer requirements, competitor innovations, and changes in market demand. The development, introduction and support of products in a geographically diverse and competitive environment requires collaboration with customers and industry participants, which has grown more complex and costly. New or improved products may entail higher costs and longer development cycles, and may have unforeseen product design or manufacturing defects. To compete successfully, we must:

- develop new products and disruptive technologies, improve and develop new applications for existing products, and adapt products for use in different applications and markets with varying technical requirements;

- complete our new Equipment and Process Innovation and Commercialization Center and other major infrastructure projects on schedule and on budget, and realize the anticipated benefits of those projects;
- differentiate our products from those of competitors, meet customers' performance specifications, and successfully commercialize our products and achieve market acceptance;
- maintain operating flexibility to respond to changing markets, applications and customer requirements;
- enhance our worldwide operations to reduce costs and cycle times, enable continuous quality improvement, and improve design for manufacturability and serviceability;
- focus on product development and sales and marketing strategies that address customers' high value problems and strengthen customer relationships;
- effectively allocate resources among our existing products and markets, new product development, and new and adjacent market expansion;
- improve the productivity of research and development investments;
- accurately forecast demand, work with suppliers and meet production schedules, improve manufacturing processes and achieve cost efficiencies across product offerings; and
- enhance our design engineering methodology to reduce material costs and cycle time and improve product life cycle management.

If we fail to anticipate or respond effectively to technology inflections or competitive or market developments, or if we are unable to successfully develop and commercialize new products, our business performance and operating results may be materially and adversely impacted.

We are exposed to risks related to government incentives and other agreements that may involve government entities.

From time to time, we enter into agreements with government entities for grants, tax benefits and other incentives, other funding related to our investment, research and development and production activities or for sale of our products to government entities or government-funded programs. These agreements typically include terms that are not common in similar agreements with non-governmental entities, including representations and warranties, covenants and certifications, and record-keeping, accounting, audit, intellectual property rights-sharing, information handling, supply chain management, headcount, security, disclosure and other requirements. These agreements may also require us to achieve or maintain certain levels of investment, capital spending and performance milestones. Compliance with these requirements may add complexity to our operations and increase our costs, and a failure to comply could result in cancellation of agreements or transactions, investigations, civil and criminal penalties, forfeiture of profits, reduction, termination or clawback of any funding, suspension or debarment from doing business with the government, or other penalties, any of which could have a material and adverse effect on our business, financial condition and results of operations.

We are exposed to factors specific to the display industry.

We are a supplier to the global display industry, which has experienced considerable volatility in capital equipment investment levels, due in part to the limited number of display manufacturers, the concentrated nature of end-use applications, production capacity relative to end-use demand, the speed of adopting new technologies and panel manufacturer profitability. Industry growth depends primarily on consumer demand for increasingly larger and more advanced TVs, and on demand for advanced smartphones and mobile device displays, which demand is highly sensitive to cost and improvements in technologies and features. Demand for and the profitability of our display products and services is impacted by the foregoing industry factors, as well as the introduction of and rate of transition to new types of display technologies, our ability to anticipate and adapt to technology transitions and inflections, and the expansion of display manufacturing facilities in China. If we do not successfully develop and commercialize products to meet demand for new and emerging display technologies, or if industry demand for display fabrication equipment and technologies does not grow, our business and our operating results may be adversely impacted.

We are exposed to risks associated with expanding into new and related markets and industries.

As part of our growth strategy, we seek to expand into related or new markets and industries, through our existing and new products, or through products developed with third parties or obtained through acquisitions. Our ability to successfully expand into new and related markets and industries may be adversely affected by a number of factors, including:

- the need to devote additional resources to develop new products for, and operate in, new markets;
- the need to develop new sales and technical marketing strategies and relationships with new customers;

- differing profitability and growth rates across multiple businesses;
- our ability to anticipate demand, capitalize on opportunities and avoid or minimize risks;
- the complexity of managing multiple businesses with variations in production planning, execution, supply chain management and logistics;
- the adoption of new business models, processes and systems;
- the complexity of entering into and effectively managing strategic alliances or partnering opportunities;
- the need to attract, motivate and retain employees with skills and expertise in these new areas;
- new and more diverse customers and suppliers, including some with limited operating histories, uncertain or limited funding, evolving business models or operations in regions where we have limited or no presence;
- new or different competitors with more resources, industry experience or established customer relationships;
- differing levels of government involvement, regulatory regimes, and business, employment and safety practices in these new markets and industries;
- third parties' intellectual property rights; and
- the need to comply with or establish industry standards and practices.

We may invest significant resources towards expanding into related or new markets and industries, and there can be no assurance that our products and services will achieve market acceptance or be profitable. Demand for our products and services depends on the success of the markets and industries we seek to expand into, and the failure of any of those markets and industries could have an adverse effect on our business, financial condition and results of operations.

We are exposed to risks related to the use of AI by us and our competitors.

We are increasingly incorporating AI capabilities into the development of technologies, our business operations and our products and services. AI technology is complex and rapidly evolving and may subject us to significant competitive, legal, regulatory, operational and other risks. The implementation of AI can be costly, and there is no guarantee that our use of AI will enhance our technologies, benefit our business operations, or produce products and services that are preferred by our customers. Our competitors may be more successful in their AI strategy and develop superior products and services with the aid of AI technology. Additionally, AI algorithms or training methodologies may be flawed, and datasets may contain irrelevant, insufficient or biased information, which can cause errors in outputs. This may give rise to legal liability, damage our reputation, and materially harm our business. The use of AI in the development of our products and services could also cause loss of intellectual property, as well as subject us to risks related to intellectual property infringement or misappropriation, data privacy and cybersecurity. We also utilize third-party providers of AI capabilities, and our ability to implement AI successfully in our business operations relies on our continued access to third-party providers and safeguards implemented by them. Additionally, AI technology may also create ethical issues, which could impair market adoption of such technology and impair demand for our products and services. Furthermore, the United States and other countries may adopt laws and regulations related to AI. These laws and regulations could cause us to incur greater compliance costs and limit the use of AI in the development of our products and services. Any failure or perceived failure by us to comply with these regulatory requirements could subject us to legal liabilities, damage our reputation, or otherwise have a material and adverse impact on our business.

Operational and Financial Risks

We are exposed to risks related to protection and enforcement of intellectual property rights.

Our success depends on the protection of our technology using patents, trade secrets, copyrights and other intellectual property rights. Infringement or misappropriation of our intellectual property rights, such as the manufacture or sale of equipment or spare parts that use our technology without authorization, could result in uncompensated lost market and revenue opportunities. Detecting and preventing misuse of our intellectual property is difficult and costly, and we cannot be certain that our protective measures will be successful. Our ability to enforce our intellectual property rights is subject to litigation risks and uncertainty as to the protection and enforceability of those rights in some countries. Enforcement efforts may be subject to claims that our rights are invalid or unenforceable and may result in counterclaims against us, which could have a negative impact on our business. If we are unable to enforce and protect intellectual property rights, or if they are circumvented, rendered obsolete, invalidated by the rapid pace of technological change, or stolen or misappropriated by employees or third parties, it could have an adverse impact on our competitive position and business. Changes in intellectual property laws or their interpretation may impact our ability to protect and assert our intellectual property rights, increase costs and uncertainties in the prosecution of patent applications or related enforcement actions and diminish the value and competitive advantage conferred by our intellectual property assets.

From time to time third parties have asserted, and may continue to assert, intellectual property claims against us and our products. Claims that our products infringe the rights of others, whether or not meritorious, can be expensive and time-consuming to defend and resolve, and may divert the efforts and attention of management and personnel. The inability to obtain rights to use third-party intellectual property on commercially reasonable terms could have an adverse impact on our business. We may face claims based on the theft or unauthorized use or disclosure of third-party trade secrets and other confidential business information. Any of these incidents and claims could severely harm our business and reputation, result in significant expenses, harm our competitive position, and prevent us from selling certain products, all of which could have a material and adverse impact on our business and results of operations.

We are exposed to cybersecurity threats and incidents.

In the conduct of our business, we use information technology (IT) and operational technology (OT) systems, including systems owned and maintained by us or our third-party providers, to monitor and control our operations, and collect, transmit, store and otherwise process data, including confidential information and intellectual property belonging to us or our customers or other business partners, and personal information of individuals. These technologies are subject to disruptions, outages, failures and cybersecurity breaches or incidents arising from a variety of factors, and we and our third-party providers expect to continue to experience such incidents. Cybersecurity incidents may include physical attacks on computer systems or network infrastructure; employee or contractor error, misuse or unauthorized access; attempts to gain unauthorized access to systems or data; as well as sophisticated cyberattacks or advanced persistent threats, any of which may impact us directly or through our third-party providers and global supply chain. Threat actors may seek to manipulate our employees, suppliers, third-party providers or customers to gain access to our, our customers' or business partners' data. Cybersecurity attacks are increasing and attackers are increasingly organized and well-financed, or at times supported by state actors. Geopolitical tensions or conflicts may further increase cybersecurity risk. Threat actors' techniques evolve rapidly and may increasingly incorporate new technologies, including AI and quantum computing. The emergence and maturation of AI capabilities, including ones involving large language models, may enable new or more effective methods of cyberattacks, including deepfake impersonation, phishing, social engineering or the automated detection and exploitation of previously unknown vulnerabilities. Vulnerabilities, technical errors and other risks may be introduced through the use of AI by us, our customers, suppliers and other business partners and third-party providers, or through the use of third-party hardware and software. Advances in quantum computing could undermine current encryption standards and allow threat actors to bypass security measures. Although we are not aware of any cybersecurity incidents impacting our IT or OT systems that have had a material impact on us to date, we continue to devote significant resources to network security, data encryption and other measures to protect our systems and data from unauthorized access or misuse, and we may be required to expend greater resources in the future. We may be unable to anticipate, prevent or remediate future incidents, and in some instances, we may be unaware of incidents or their scope, particularly as attackers may evade controls or remove forensic evidence. Cybersecurity incidents may result in delays in our product development and delivery; disruptions to our manufacturing, communications and reporting of financial results; theft or misappropriation of intellectual property or critical data belonging to us or our customers; corruption, loss of, or inability to access (e.g., through ransomware or denial of service) confidential information and critical data; reputational damage; private claims, demands, litigation and regulatory inquiries, enforcement actions or other proceedings; diminution in the value of our investment in research, development and engineering; and increased costs associated with cybersecurity detection, prevention and remediation. We are subject to changing laws, regulations and contractual and other obligations concerning privacy, cybersecurity and data protection, including restrictions on cross-border data transfers and data localization as well as increasingly rigorous contractual provisions demanded by our customers and third-party providers. Compliance with these obligations may require significant expenditures, and any actual or alleged failure to comply could result in inquiries, enforcement actions and other proceedings by regulators or other third parties.

We are exposed to risks associated with business combinations, acquisitions, strategic investments and divestitures.

We may engage in acquisitions of or investments in companies, technologies or products in existing, related or new markets. Business combinations, acquisitions and investments involve numerous risks to our business, financial condition and operating results, including:

- inability to complete proposed transactions timely or at all due to failure to obtain regulatory or other approvals, including under global national security regimes that prohibit or restrict foreign investments in or acquisitions of local businesses, litigation or other disputes, and any ensuing obligation to pay a termination fee;
- diversion of management's attention and disruption of ongoing businesses;

- failure to realize expected revenues, gross and operating margins, net income and other returns from acquired businesses;
- requirements imposed by regulators in connection with their transaction review, including post-closing investigations of non-notified transactions, which may include, among other things, divestitures and restrictions on the conduct of our existing business or the acquired business;
- failure to realize anticipated synergies due to ineffective integration of businesses, operations, systems, digital and physical security, technologies, products, employees, compliance programs, changes in laws or regulations, including tax laws, or other factors;
- failure to commercialize technologies from acquired businesses or developed through strategic investments;
- dependence on unfamiliar supply chains or relatively small supply partners;
- inability to capitalize on characteristics of new markets that may be significantly different from our existing markets and where competitors may have stronger market positions and customer relationships;
- failure to retain and motivate key employees of acquired businesses;
- the impact of the announcement or consummation of a proposed transaction on relationships with third parties;
- changes in our credit rating, which could adversely impact our access to and cost of capital;
- increases in debt obligations to finance a transaction, which increase interest expense, and reductions in cash balances, which reduce the availability of cash flow for other purposes, including share repurchases and dividends;
- exposure to new operational risks, rules, regulations, worker expectations, customs and practices to the extent acquired businesses are located in regions where we have not historically operated;
- challenges associated with managing new, more diverse and more widespread operations, projects and people;
- inability to obtain and protect intellectual property rights in key technologies;
- inadequacy or ineffectiveness of an acquired company’s internal financial controls, disclosure controls and procedures, cybersecurity, privacy policies and compliance programs, trade control processes or programs, or environmental, health and safety, anti-corruption, human resource or other policies or practices;
- impairment of acquired intangible assets and goodwill due to changing business conditions, technological advancements or segment underperformance;
- the risk of litigation, government enforcement actions or claims associated with a proposed or completed transaction;
- unknown, underestimated, undisclosed or undetected commitments or liabilities, including potential intellectual property infringement claims, or non-compliance with laws, regulations or policies; and
- the inappropriate scale of acquired entities’ critical resources or facilities for business needs.

We make investments in other companies, including companies formed as joint ventures, which may decline in value or not meet desired objectives. The success of these investments depends on various factors over which we may have limited or no control and, particularly with respect to joint ventures, requires ongoing and effective cooperation with partners. Legislative or regulatory changes, as well as global economic or political conditions, may restrict our ability to invest in certain countries or require regulatory approvals that we may not obtain or may impose significant conditions or obligations.

We may seek to divest businesses that no longer fit with our strategic plan. Divestitures involve additional risks and uncertainties, such as our ability to sell these businesses on acceptable terms and in a timely manner or at all, disruption to other parts of the businesses and distraction of management, diversion of internal resources away from strategic acquisitions or other strategic projects or initiatives, loss of key employees or customers, loss of access by retained business units to critical intellectual property or other assets transferred with the divested business, exposure to unanticipated liabilities or ongoing obligations to support the businesses following these divestitures and other adverse financial impacts.

The ability to attract, retain and motivate key employees is vital to our success.

Our success depends in large part on our ability to attract, retain and motivate qualified employees and leaders with the necessary expertise and capabilities, representing diverse backgrounds and experiences. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, management or organizational changes, ongoing competition for talent, the availability of qualified employees, the ability to obtain necessary authorizations for workers to provide services outside their home countries, challenges in hiring and integrating workers in different countries, the attractiveness of our compensation and benefit programs, our career growth and development opportunities and our employment policies. If we are unable to attract, retain and motivate qualified employees and leaders, we may be unable to fully capitalize on current and new market opportunities, which could adversely impact our business and results of operations. The loss of knowledgeable and experienced employees may result in unexpected costs, reduced productivity or difficulties with respect to internal processes and controls.

We operate in jurisdictions with complex and changing tax laws.

We are subject to income taxes in the United States and foreign jurisdictions. Significant judgment is required to determine and estimate worldwide tax liabilities. Our provision for income taxes and effective tax rates could be affected by numerous factors, including changes in applicable tax laws, interpretations of applicable tax laws, amount and composition of pre-tax income in jurisdictions with differing tax rates and valuation of deferred tax assets.

There have been a number of enacted and proposed changes in the tax laws that could have a material impact on our provision for income taxes and effective tax rate. An increase in our provision for income taxes and effective tax rate could, in turn, have a material and adverse impact on our results of operations and financial condition. For example, various countries where we do business have enacted or plan to enact new tax laws to implement the global minimum tax regimes based on the Organization for Economic Cooperation and Development Base Erosion and Profit Shifting Project. The currently enacted global minimum tax laws materially increase our foreign taxes beginning in the first quarter of fiscal 2026. Additionally, the One Big Beautiful Bill Act enacted in the U.S. contains provisions that are designed to accelerate tax deductions, but that have had and may in the future have a detrimental impact on our ability to use certain deferred tax assets, including our corporate alternative minimum tax credit deferred tax asset. We continue to monitor developments and evaluate the impact, if any, of enacted and proposed changes in the tax laws on our results of operations and cash flows. The adoption and effective dates of changes in the tax laws vary by country and could increase tax complexity and uncertainty and may adversely affect our provision for income taxes in future years.

We have been granted additional conditional reduced tax rates in Singapore that expire beginning in fiscal 2030. There is risk our conditional reduced tax rates may not be renewed.

Consistent with the international nature of our business, we conduct certain manufacturing, supply chain and other operations in Asia, bringing these activities closer to customers and reducing operating costs. In some foreign jurisdictions, we must meet certain requirements to continue to qualify for tax incentives. There is no assurance we will be able to meet such requirements in the future to fully realize benefits from these incentives. Furthermore, the proposed plans to implement global minimum tax regimes could reduce or eliminate the benefits of our tax incentives.

We are subject to examination by the U.S. Internal Revenue Service and other tax authorities, and from time to time amend previously filed tax returns. We regularly assess the likelihood of favorable or unfavorable outcomes resulting from these examinations and amendments to determine the adequacy of our provision for income taxes, which requires estimates and judgments. Although we believe our tax estimates are reasonable, there can be no assurance the tax authorities will agree with such estimates. We may have to engage in litigation to achieve the results reflected in the estimates, which may be time-consuming and expensive. There can be no assurance that we will be successful or that any final determination will not be materially different from the treatment reflected in our historical income tax provisions and effective tax rates.

Our indebtedness and debt covenants could adversely affect our financial condition and business.

As of April 26, 2026, we had $6.5 billion of senior unsecured notes outstanding and, pursuant to their terms, we may be required to offer to repurchase the notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest, if we experience a change of control and a contemporaneous downgrade of the notes below investment grade. We also have revolving credit facilities that allow us to borrow up to approximately $4.1 billion. While no amounts were outstanding under these credit facilities as of April 26, 2026, we may borrow amounts in the future under these facilities or enter into new financing arrangements. Our ability to satisfy our debt obligations is dependent upon the results of our business operations and subject to other risks discussed in this section. If we fail to satisfy our debt obligations, or comply with financial and other debt covenants, we may be in default and any borrowings may become immediately due and payable, and such default may constitute a default under our other obligations. There can be no assurance that we would have sufficient financial resources or be able to arrange financing to repay any borrowings at such time. Significant changes in our credit rating, disruptions in the global financial markets, or incurrence of new or refinancing of existing indebtedness at higher interest rates could have a material and adverse impact on our access to and cost of capital for future financings and our financial condition.

Our business depends on the successful implementation and proper functioning of information systems we use.

Our business depends on certain information systems, including enterprise resource planning, product research and development, financial reporting, information technology network management and telecommunications, which may be maintained by us or third-party vendors. Failures of these systems could disrupt our operations, impede our ability to timely and accurately process and report financial results, and adversely impact our business, financial condition and results of operations.

We periodically implement new or enhanced information systems, which requires significant personnel, training and financial resources, and entails risks to our business operations. If the implementation or improvement of information systems is delayed or unsuccessful, we may not realize anticipated productivity improvements or cost efficiencies and may experience service interruptions and operational difficulties, which could result in quality issues, reputational harm, lost market and revenue opportunities and otherwise adversely affect our business, financial condition and results of operations.

We may incur impairment charges related to goodwill or long-lived assets.

We have a significant amount of goodwill and other acquired intangible assets related to acquisitions. Goodwill and purchased intangible assets with indefinite useful lives are not amortized but are reviewed for impairment annually during the fourth quarter of each fiscal year and more frequently when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The review compares the fair value for each of our reporting units to its associated carrying value, including goodwill. Factors that could lead to impairment of goodwill and intangible assets include adverse industry or economic trends, reduced estimates of future cash flows, declines in the market price of our common stock, changes in our strategies or product portfolio and restructuring activities. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and projections of future operating performance. We have recorded charges to earnings, and may in the future be required to record charges to earnings, when impairments of goodwill or intangible assets have been determined to exist.

We may not continue to declare cash dividends or repurchase our shares.

Our ability to continue to pay quarterly dividends and to repurchase our shares is subject to capital availability and periodic determinations by our Board of Directors that cash dividends and share repurchases are in the best interest of our stockholders and are in compliance with applicable laws and agreements. Future dividends and share repurchases may be affected by, among other factors, our cash flow; potential future capital requirements for investments, acquisitions, infrastructure projects and research and development; changes in applicable tax, corporate, or other laws; contractual restrictions, such as financial or operating covenants in our debt arrangements; and changes to our business model. Our dividend payments and share repurchases may change from time to time, and we cannot provide assurance that we will continue to declare dividends or repurchase shares in any particular amounts or at all. A reduction or suspension in our dividend payments or share repurchases could have a negative effect on the price of our common stock.

Legal, Compliance and Other Risks

We are exposed to risks related to legal proceedings, claims and investigations.

From time to time we are, and in the future may be, involved in legal proceedings or claims regarding patent infringement, trade secret misappropriation, other intellectual property rights, trade compliance, including import, export and customs, antitrust, anti-corruption, compliance with government contracting requirements, environmental regulations, cybersecurity, privacy, data protection, securities, contracts, product performance, product liability, unfair competition, employment, workplace safety and other matters. We may receive, and have received, inquiries, warrants, subpoenas, and other requests for information in connection with government investigations of potential or suspected violations of law or regulations by our company or our employees. We also on occasion receive notifications from customers who believe we owe them indemnification, product warranty or have other obligations related to claims made against such customers by third parties.

Legal proceedings, claims and government investigations, whether with or without merit, and internal investigations, have been and in the future may be time-consuming and expensive to prosecute, defend or conduct; divert management’s attention and our other resources; constrain our ability to sell our products and services; result in adverse judgments for damages, injunctive relief, penalties and fines; and negatively affect our business. We cannot predict the outcome of current or future legal proceedings, claims or investigations.

We are exposed to risks related to the global regulatory environment.

We are subject to the laws of the United States and multiple foreign jurisdictions and the rules and regulations of various governing bodies, including those related to financial and other disclosures, accounting standards, securities, corporate governance, public procurement and public funding, intellectual property, tax, trade (including import, export and customs regulations), antitrust, cybersecurity, environment, health and safety, employment, immigration and travel regulations, human rights, privacy, data protection and localization and anti-corruption. Changing, inconsistent or conflicting laws, rules and regulations, and ambiguities in their interpretation and application create uncertainty and challenges, and compliance may be onerous and expensive, divert management time and attention and otherwise adversely impact our business operations.

Violations of these laws, rules and regulations could result in fines, criminal penalties, restrictions on our business, and damage to our reputation, and could have an adverse impact on our business operations, financial condition and results of operations.

Implementation and reporting on our sustainability strategies and targets could result in additional costs, and our inability to achieve them could have an adverse impact on our reputation and performance.

We periodically communicate our strategies and targets related to sustainability matters. These strategies and targets, and their underlying assumptions, reflect our current plans and aspirations, and we may be unable to achieve them. Our sustainability efforts may require significant expenditures and for us to alter our manufacturing, operations or equipment designs and processes. We may face changing expectations and requirements from customers, shareholders and regulators, including increasing customer demand for sustainable products. We are or may become subject to new laws and regulations, such as the State of California’s climate change disclosure rules, the European Union’s Corporate Sustainability Reporting Directive and International Sustainability Standards Board standards. Standards and processes for measuring and reporting greenhouse gas emissions and other sustainability metrics may change over time and may result in inconsistent data, increase our costs, result in significant revisions to our strategies and targets or impact our ability to achieve them. Any failure or perceived failure to timely comply with or meet our sustainability requirements, expectations or targets, or a failure to realize the anticipated benefits of planned investments and technology innovations related to sustainability, could adversely impact demand for our products, subject us to significant costs and liabilities and reputational risks, and in turn adversely affect our business, financial condition and results of operations.

We are subject to risks associated with environmental, health and safety regulations.

We are subject to environmental, health and safety (EHS) regulations related to, among other things, the design, manufacture, sale, shipping, import, export and use of our products; the use, handling, discharge, recycling, transportation and disposal of hazardous materials used in our products or in producing our products; the operation of our facilities; and the use of our real property, including in connection with construction of infrastructure projects. The failure or inability to comply with existing or future EHS regulations could result in: significant remediation or other legal liabilities, penalties or fines; restrictions on the development, manufacture, sale, shipping, import, export or use of certain products; limitations on the operations of our facilities or use of our real property; and a decrease in the value of our real property. We could be required to alter our product design, manufacturing and operations and incur substantial expense to comply with EHS regulations, including reporting requirements. Any failure to comply with these regulations could subject us to significant costs and liabilities that could materially and adversely affect our business, financial condition and results of operations.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Issuer Purchases of Equity Securities

In March 2025, our Board of Directors approved a common stock repurchase program authorizing $10.0 billion in repurchases, which supplemented the previous $10.0 billion authorization approved in March 2023. As of April 26, 2026, approximately $13.2 billion remained available for future stock repurchases under the repurchase program.

Period	Total Number of Shares Purchased	Average Price Paid per Share *	Aggregate Price Paid*	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet be Purchased Under the Program*
	(In millions, except per share amounts)				
Month #1					
(January 26, 2026 to February 22, 2026)	0.3	$ 334.51	$ 95	0.3	$ 13,544
Month #2					
(February 23, 2026 to March 22, 2026)	0.4	$ 352.57	148	0.4	$ 13,396
Month #3					
(March 23, 2026 to April 26, 2026)	0.4	$ 364.64	157	0.4	$ 13,239
Total	1.1	$ 352.63	$ 400	1.1	

* Amounts include the 1% surcharge on stock repurchases under the Inflation Reduction Act's excise tax. This excise tax is recorded in equity and reduces the amount available under the repurchase program, as applicable.

Item 3. ***Defaults Upon Senior Securities***

None

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

During the three months ended April 26, 2026, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

Item 6. ***Exhibits***

Exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

		Incorporated by Reference			
Exhibit No.	**Description**	**Form**	**File No.**	**Exhibit No.**	**Filing Date**
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†				
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†				
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002‡				
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002‡				
101.SCH	Inline XBRL Taxonomy Extension Schema Document‡				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document‡				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document‡				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document‡				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document‡				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

† Filed herewith.
‡ 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.

APPLIED MATERIALS, INC.

May 21, 2026	By:	/s/ BRICE HILL
		Brice Hill *Senior Vice President, Chief Financial Officer* *(Principal Financial Officer)*
May 21, 2026	By:	/s/ ADAM SANDERS
		Adam Sanders *Vice President,* *Corporate Controller and* *Chief Accounting Officer* *(Principal Accounting Officer)*

EXHIBIT 31.1

CERTIFICATION

I, Gary E. Dickerson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Materials, Inc.;

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.

Date: May 21, 2026

/s/ GARY E. DICKERSON

Gary E. Dickerson
President, Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Brice Hill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Materials, Inc.;

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.

Date: May 21, 2026

/s/ BRICE HILL

Brice Hill
Senior Vice President, Chief Financial Officer

EXHIBIT 32.1

SARBANES-OXLEY ACT SECTION 906 CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of Applied Materials, Inc. for the period ended April 26, 2026, I, Gary E. Dickerson, President, Chief Executive Officer of Applied Materials, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended April 26, 2026 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in this Form 10-Q for the period ended April 26, 2026 fairly presents, in all material respects, the financial condition and results of operations of Applied Materials, Inc. for the periods presented therein.

Date: May 21, 2026

/s/ GARY E. DICKERSON

Gary E. Dickerson
President, Chief Executive Officer

EXHIBIT 32.2

SARBANES-OXLEY ACT SECTION 906 CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of Applied Materials, Inc. for the period ended April 26, 2026, I, Brice Hill, Senior Vice President, Chief Financial Officer of Applied Materials, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended April 26, 2026 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in this Form 10-Q for the period ended April 26, 2026 fairly presents, in all material respects, the financial condition and results of operations of Applied Materials, Inc. for the periods presented therein.

Date: May 21, 2026

/s/ BRICE HILL

Brice Hill

Senior Vice President, Chief Financial Officer