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 January 25, 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 January 25, 2026: 793,609,867

APPLIED MATERIALS, INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JANUARY 25, 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	
	January 25, 2026	January 26, 2025
	(Unaudited)	
Revenue	$ 7,012	$ 7,166
Cost of products sold	3,577	3,670
Gross profit	3,435	3,496
Operating expenses:		
Research, development and engineering	928	859
Marketing and selling	222	206
General and administrative	189	256
Legal settlement	253	—
Restructuring charges	12	—
Total operating expenses	1,604	1,321
Income from operations	1,831	2,175
Interest expense	69	64
Interest and other income (expense), net	566	8
Income before income taxes	2,328	2,119
Provision for income taxes	302	934
Net income	$ 2,026	$ 1,185
Earnings per share:		
Basic	$ 2.55	$ 1.46
Diluted	$ 2.54	$ 1.45
Weighted average number of shares:		
Basic	793	814
Diluted	799	819

See accompanying Notes to Consolidated Condensed Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Three Months Ended	
	January 25, 2026	January 26, 2025
	(Unaudited)	
Net income	$ 2,026	$ 1,185
Other comprehensive income (loss), net of tax:		
Change in unrealized gain (loss) on available-for-sale investments	(5)	(3)
Change in unrealized net loss on derivative instruments	5	28
Other comprehensive income (loss), net of tax	—	25
Comprehensive income	$ 2,026	$ 1,210

See accompanying Notes to Consolidated Condensed Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(In millions)

	January 25, 2026	October 26, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,218	$ 7,241
Short-term investments	1,293	1,332
Accounts receivable, net	4,977	5,185
Inventories	5,997	5,915
Other current assets	1,564	1,208
Total current assets	21,049	20,881
Long-term investments	4,968	4,327
Property, plant and equipment, net	4,949	4,610
Goodwill	3,707	3,707
Purchased technology and other intangible assets, net	215	226
Deferred income taxes and other assets	2,756	2,548
Total assets	$ 37,644	$ 36,299
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 100	$ 100
Accounts payable and accrued expenses	5,181	5,333
Contract liabilities	2,472	2,566
Total current liabilities	7,753	7,999
Long-term debt	6,453	6,455
Income taxes payable	507	356
Other liabilities	1,214	1,074
Total liabilities	15,927	15,884
Stockholders' equity:		
Common stock	8	8
Additional paid-in capital	10,311	10,333
Retained earnings	56,888	55,227
Treasury stock	(45,380)	(45,043)
Accumulated other comprehensive loss	(110)	(110)
Total stockholders' equity	21,717	20,415
Total liabilities and stockholders' equity	$ 37,644	$ 36,299

Amounts as of January 25, 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)

Three Months Ended January 25, 2026	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 26, 2025	793	$ 8	$ 10,333	$ 55,227	1,241	$ (45,043)	$ (110)	$ 20,415
Net income	—	—	—	2,026	—	—	—	2,026
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—
Dividends declared ($0.46 per common share)	—	—	—	(365)	—	—	—	(365)
Share-based compensation	—	—	207	—	—	—	—	207
Net issuance under stock plans	1	—	(229)	—	—	—	—	(229)
Common stock repurchases	(1)	—	—	—	1	(337)	—	(337)
Balance as of January 25, 2026	793	$ 8	$ 10,311	$ 56,888	1,242	$ (45,380)	$ (110)	$ 21,717

Three Months Ended January 26, 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	—	—	—	1,185	—	—	—	1,185
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	25	25
Dividends declared ($0.40 per common share)	—	—	—	(325)	—	—	—	(325)
Share-based compensation	—	—	195	—	—	—	—	195
Net issuance under stock plans	2	—	(142)	—	—	—	—	(142)
Common stock repurchases	(8)	—	—	—	8	(1,314)	—	(1,314)
Balance as of January 26, 2025	812	$ 8	$ 9,713	$ 50,511	1,219	$ (41,464)	$ (143)	$ 18,625

See accompanying Notes to Consolidated Condensed Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In millions)

	Three Months Ended	
	January 25, 2026	January 26, 2025
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 2,026	$ 1,185
Adjustments required to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	127	105
Restructuring charges	12	—
Legal settlement	253	—
(Gain) / loss and impairment on investments	(466)	100
Share-based compensation	207	195
Deferred income taxes	(78)	668
Other	(1)	(5)
Changes in operating assets and liabilities:		
Accounts receivable	208	(764)
Inventories	(82)	(80)
Other current and non-current assets	(154)	115
Accounts payable and accrued expenses	(760)	(429)
Contract liabilities	(94)	(397)
Income taxes payable	481	200
Other liabilities	7	32
Cash provided by operating activities	1,686	925
Cash flows from investing activities:		
Capital expenditures	(646)	(381)
Cash paid for acquisitions, net of cash acquired	—	(28)
Proceeds from sales and maturities of investments	1,143	1,223
Purchases of investments	(1,277)	(1,711)
Cash used in investing activities	(780)	(897)
Cash flows from financing activities:		
Proceeds from issuance of commercial paper	200	200
Repayments of commercial paper	(200)	(200)
Common stock repurchases	(337)	(1,318)
Tax withholding payments for vested equity awards	(229)	(142)
Payments of dividends to stockholders	(365)	(326)
Cash used in financing activities	(931)	(1,786)
Increase (decrease) in cash, cash equivalents and restricted cash equivalents	(25)	(1,758)
Cash, cash equivalents and restricted cash equivalents — beginning of period	7,312	8,113
Cash, cash equivalents and restricted cash equivalents — end of period	$ 7,287	$ 6,355
Reconciliation of cash, cash equivalents and restricted cash equivalents		
Cash and cash equivalents	$ 7,218	$ 6,264
Restricted cash equivalents included in deferred income taxes and other assets	69	91
Total cash, cash equivalents and restricted cash equivalents	$ 7,287	$ 6,355
Supplemental cash flow information:		
Cash payments for income taxes	$ 112	$ 70
Cash refunds from income taxes	$ 3	$ 70
Cash payments for interest	$ 65	$ 52

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 months ended January 25, 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 three months of fiscal 2026 and 2025 each contained 13 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	
	January 25, 2026	January 26, 2025
	(In millions, except per share amounts)	
Numerator:		
Net income	$ 2,026	$ 1,185
Denominator:		
Weighted average common shares outstanding	793	814
Effect of weighted dilutive restricted stock units and employees' stock purchase plan shares	6	5
Denominator for diluted earnings per share	799	819
Basic earnings per share	$ 2.55	$ 1.46
Diluted earnings per share	$ 2.54	$ 1.45
Potentially weighted dilutive securities	1	—

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:

January 25, 2026	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Cash	$ 1,541	$ —	$ —	$ 1,541
Cash equivalents:				
Money market funds*	3,719	—	—	3,719
Bank certificates of deposit and time deposits	180	—	—	180
U.S. Treasury and agency securities	398	—	—	398
Municipal securities	5	—	—	5
Commercial paper, corporate bonds and medium-term notes	1,375	—	—	1,375
Total cash equivalents	5,677	—	—	5,677
Total cash and cash equivalents	$ 7,218	$ —	$ —	$ 7,218
Short-term and long-term investments:				
Bank certificates of deposit and time deposits	$ 1	$ —	$ —	$ 1
U.S. Treasury and agency securities	1,274	2	1	1,275
Non-U.S. government securities**	3	—	—	3
Municipal securities	474	3	—	477
Commercial paper, corporate bonds and medium-term notes	984	5	—	989
Asset-backed and mortgage-backed securities	568	3	1	570
Total fixed income securities	3,304	13	2	3,315
Publicly traded equity securities	1,287	1,290	1	2,576
Equity investments in privately held companies	346	90	66	370
Total equity investments	1,633	1,380	67	2,946
Total short-term and long-term investments	$ 4,937	$ 1,393	$ 69	$ 6,261
Total cash, cash equivalents and investments	$ 12,155	$ 1,393	$ 69	$ 13,479

*Excludes $69 million of restricted cash equivalents invested in money market funds related to deferred compensation plans.
**Includes Canadian provincial government debt.

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 January 25, 2026 and January 26, 2025, interest income from our cash, cash equivalents and fixed income securities was $97 million and $116 million, respectively.

Maturities of Investments

The following table summarizes the contractual maturities of our investments as of January 25, 2026:

	Cost	Estimated Fair Value
	(In millions)	
Due in one year or less	$ 1,243	$ 1,244
Due after one through five years	1,488	1,497
Due after five years	5	5
No single maturity date*	2,201	3,515
Total	$ 4,937	$ 6,261

*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 months ended January 25, 2026 and January 26, 2025, gross realized gains and losses on our fixed income portfolio were not material.

As of January 25, 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 months ended January 25, 2026 and January 26, 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 months ended January 25, 2026 and January 26, 2025 were as follows:

	Three Months Ended	
	January 25, 2026	January 26, 2025
	(In millions)	
Publicly traded equity securities		
Unrealized gain	$ 484	$ 3
Unrealized loss	(16)	(111)
Realized gain on sales and dividends	4	3
Realized loss on sales or impairment	(2)	—
Equity investments in privately held companies		
Unrealized gain	18	7
Unrealized loss	(2)	(5)
Realized gain on sales and dividends	4	6
Realized loss on sales or impairment	(20)	—
Total gain (loss) on equity investments, net	$ 470	$ (97)

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:

	January 25, 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*	$ 3,788	$ —	$ 3,788	$ 2,264	$ —	$ 2,264
Bank certificates of deposit and time deposits	—	181	181	—	184	184
U.S. Treasury and agency securities	1,249	424	1,673	2,109	319	2,428
Non-U.S. government securities	—	3	3	—	5	5
Municipal securities	—	482	482	—	473	473
Commercial paper, corporate bonds and medium-term notes	—	2,364	2,364	—	3,102	3,102
Asset-backed and mortgage-backed securities	—	570	570	—	616	616
Total available-for-sale debt security investments	$ 5,037	$ 4,024	$ 9,061	$ 4,373	$ 4,699	$ 9,072
Equity investments with readily determinable values						
Publicly traded equity securities	$ 2,576	$ —	$ 2,576	$ 2,110	$ —	$ 2,110
Total equity investments with readily determinable values	$ 2,576	$ —	$ 2,576	$ 2,110	$ —	$ 2,110
Total	$ 7,613	$ 4,024	$ 11,637	$ 6,483	$ 4,699	$ 11,182

*Amounts as of January 25, 2026 and October 26, 2025 include $69 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 January 25, 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 January 25, 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 months ended January 25, 2026 and January 26, 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 January 25, 2026, the aggregate principal amount of long-term senior unsecured notes issued by us was $6.5 billion, and their estimated fair value, excluding associated interest rate swaps we entered into in the first quarter of fiscal 2026, was $6.1 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 January 25, 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 months ended January 25, 2026 and January 26, 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 first quarter of fiscal 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 January 25, 2026 and October 26, 2025, the total outstanding notional amounts of foreign exchange contracts were both $2.3 billion. The fair values of foreign exchange derivative instruments as of January 25, 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 months ended January 25, 2026 and January 26, 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 months ended January 25, 2026 and January 26, 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 January 25, 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 have an agreement with a financial institution to sell accounts receivable from selected customers. We sell our accounts receivable generally without recourse. From time to time, we also discount letters of credit issued by customers through various financial institutions. The discounting of letters of credit depends on many factors, including the willingness of financial institutions to discount the letters of credit and the cost of such arrangements.

Accounts receivable sold during the three months ended January 25, 2026 and January 26, 2025 were not material. We did not discount letters of credit issued by customers during the three months ended January 25, 2026 and January 26, 2025. Financing charges on the sale of receivables and discounting of letters of credit are included in interest expense in the accompanying Consolidated Condensed Statements of Operations and were not material for all periods presented.

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 January 25, 2026 and October 26, 2025, and the changes in allowance for credit losses were not material for the three months ended January 25, 2026 and January 26, 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 January 25, 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:

	January 25, 2026	October 26, 2025
	(In millions)	
Contract assets	$ 214	$ 281
Contract liabilities	$ 2,472	$ 2,566

The decrease in contract assets during the three months ended January 25, 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 three months ended January 25, 2026, we recognized revenue of approximately $1.0 billion related to contract liabilities at October 26, 2025. Contract liabilities decreased during the three months ended January 25, 2026 due to revenue recognized related to contract liabilities at October 26, 2025, partially offset by new billings for products and services for which there were unsatisfied performance obligations to customers and revenue had not yet been recognized as of January 25, 2026.

There were no credit losses recognized on our accounts receivable and contract assets during both the three months ended January 25, 2026 and January 26, 2025.

Performance Obligations

As of January 25, 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 $1.4 billion, of which approximately 66% 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

	January 25, 2026	October 26, 2025
	(In millions)	
Inventories		
Customer service spares	$ 1,794	$ 1,786
Raw materials	2,025	2,007
Work-in-process	951	914
Finished goods		
Deferred cost of sales	278	229
Evaluation inventory	461	474
Manufactured on-hand inventory	488	505
Total finished goods	1,227	1,208
Total inventories	$ 5,997	$ 5,915

	January 25, 2026	October 26, 2025
	(In millions)	
Other Current Assets		
Prepaid income taxes and income taxes receivable	$ 548	$ 148
Prepaid expenses and other	1,016	1,060
	$ 1,564	$ 1,208

	Useful Life	January 25, 2026	October 26, 2025
	(In years)	(In millions)	
Property, Plant and Equipment, Net			
Land and improvements		$ 558	$ 558
Buildings and improvements	3-30	2,993	2,930
Demonstration and manufacturing equipment	5-8	2,813	2,708
Furniture, fixtures and other equipment	3-5	885	855
Construction in progress		1,704	1,460
Gross property, plant and equipment		8,953	8,511
Accumulated depreciation		(4,004)	(3,901)
		$ 4,949	$ 4,610

	January 25, 2026	October 26, 2025
	(In millions)	
Deferred Income Taxes and Other Assets		
Non-current deferred income taxes	$ 1,178	$ 1,233
Operating lease right-of-use assets	649	509
Income tax receivables and other assets	929	806
	$ 2,756	$ 2,548

	January 25, 2026	October 26, 2025
	(In millions)	
Accounts Payable and Accrued Expenses		
Accounts payable	$ 1,924	$ 1,978
Compensation and employee benefits	727	1,221
Warranty	329	346
Dividends payable	365	365
Income taxes payable	710	380
Operating lease liabilities, current	101	91
Restructuring reserve	39	165
Other	986	787
	$ 5,181	$ 5,333

	January 25, 2026	October 26, 2025
	(In millions)	
Other Liabilities		
Defined and postretirement benefit plans	$ 139	$ 151
Operating lease liabilities, non-current	536	404
Other	539	519
	$ 1,214	$ 1,074

Government Assistance

Capital expenditure related incentives reduced gross property, plant and equipment, net by $1.4 billion as of January 25, 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 January 25, 2026, we have recorded $975 million of investment tax credits, of which $302 million was recorded in other current assets and will offset fiscal 2026 income tax liabilities, and $673 million 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 months ended January 25, 2026 and January 26, 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 January 25, 2026 and October 26, 2025.

In addition, we have revolving credit facilities with Japanese banks pursuant to which we may borrow up to approximately $51 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 January 25, 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 January 25, 2026, we had commercial paper notes outstanding with an aggregate principal amount of $100 million, which were recorded as short-term debt with a weighted-average interest rate of 3.71% and maturities of 84 days, 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 January 25, 2026 and October 26, 2025 was as follows:

	Principal Amount			
	January 25, 2026	October 26, 2025	Effective Interest Rate	Interest Pay Dates
	(In millions)			
Long-term debt:				
3.300% Senior Notes Due 2027	$ 1,200	$ 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
	6,500	6,500		
Total unamortized discount	(12)	(12)		
Total unamortized debt issuance costs	(31)	(33)		
Fair value of interest rate swaps	(4)	—		
Total long-term debt	$ 6,453	$ 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	
	January 25, 2026	January 26, 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 three months ended January 25, 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

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	(4)	11	—	—	7
Amounts reclassified out of AOCI	(1)	(6)	—	—	(7)
Other comprehensive income (loss), net of tax	(5)	5	—	—	—
Balance as of January 25, 2026	$ 6	$ (29)	$ (100)	$ 13	$ (110)

	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	(2)	21	—	—	19
Amounts reclassified out of AOCI	(1)	7	—	—	6
Other comprehensive income (loss), net of tax	(3)	28	—	—	25
Balance as of January 26, 2025	$ (10)	$ (59)	$ (87)	$ 13	$ (143)

The tax effects on net income of amounts reclassified from AOCI for the three months ended January 25, 2026 and January 26, 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 January 25, 2026, approximately $13.6 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 months ended January 25, 2026 and January 26, 2025:

	Three Months Ended	
	January 25, 2026	January 26, 2025
	(in millions, except per share amount)	
Shares of common stock repurchased	1	8
Cost of stock repurchased (including excise tax)*	$ 337	$ 1,314
Average price paid per share (including excise tax)*	$ 259.17	$ 176.32
Cost of stock repurchased (excluding excise tax)	$ 337	$ 1,305
Average price paid per share (excluding excise tax)	$ 259.17	$ 174.99

(*) 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 (FIFO) 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 December 2025, our Board of Directors declared a quarterly cash dividend payable in March 2026 in the amount of $0.46 per share. Dividends paid during the three months ended January 25, 2026 and January 26, 2025 totaled $365 million and $326 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 months ended January 25, 2026 and January 26, 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	
	January 25, 2026	January 26, 2025
	(In millions)	
Cost of products sold	$ 43	$ 38
Research, development and engineering	73	67
Marketing and selling	21	20
General and administrative	70	70
Total share-based compensation	$ 207	$ 195

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 January 25, 2026, we had $1.4 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 3.0 years. As of January 25, 2026, there were 15 million shares available for grant of share-based awards under the ESIP, and an additional 8 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 three months ended January 25, 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	$ 265.44
Vested	(2)	$ 147.19
Canceled	(1)	$ 147.11
Outstanding as of January 25, 2026	9	$ 184.80

As of January 25, 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:

	Three Months Ended	
	January 25, 2026	January 26, 2025
	(In millions, except per share amounts)	
Weighted average grant date fair value per share of awards granted	$ 147.19	$ 167.08
Total fair value of vested awards	$ 346	$ 366

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. There were no purchases under our ESPP during either of the three months ended January 25, 2026 and January 26, 2025. Compensation expense is calculated using the fair value of the employees' purchase rights under the Black-Scholes model.

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 first quarter of fiscal 2026 and 2025 were 13.0 percent and 44.1 percent, respectively. The effective tax rate for the first quarter of fiscal 2026 was lower compared to the same period in the prior fiscal year, primarily due to the immediate expensing of U.S. performed research costs in fiscal 2026 and the remeasurement of deferred tax assets related to new tax incentive agreements in Singapore 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 January 25, 2026, the maximum potential amount of future payments that we could be required to make under these guarantee agreements was approximately $341 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 January 25, 2026, we have provided parent guarantees to banks for approximately $291 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 we have previously disclosed, we have been cooperating with the U.S. Department of Justice (DOJ), the U.S. Securities and Exchange Commission (SEC), and the U.S. Commerce Department Bureau of Industry and Security (BIS) after receiving subpoenas from those agencies. During our first quarter of fiscal 2026, the DOJ and the SEC informed us that they have closed their respective inquiries, and no enforcement action has been taken by either agency. On February 11, 2026, subsequent to the end of our fiscal quarter, we entered into a settlement agreement with 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. 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 made full and timely payments under the settlement agreement and timely completed the audit requirements. We recorded a charge in the amount of $253 million during our first quarter of fiscal 2026 within legal settlement on our Consolidated Condensed Statements of Operations and accrued a corresponding liability within accounts payable and accrued expenses on our Consolidated Condensed Balance Sheets.

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 January 25, 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 January 25, 2026				
Revenue	$ 5,141	$ 1,559	$ 312	$ 7,012
Costs of products sold	2,347	1,022	208	3,577
Gross profit	$ 2,794	$ 537	$ 104	$ 3,435
Gross margin	54.3 %	34.4 %		49.0 %
Operating expenses:				
Research, development and engineering	798	18	112	928
Selling, general and administrative	316	81	14	411
Legal settlement	253	—	—	253
Restructuring charges	—	—	12	12
Operating income (loss)	$ 1,427	$ 438	$ (34)	$ 1,831
Operating margin	27.8 %	28.1 %		26.1 %
Depreciation and amortization	$ 81	$ 14	$ 32	$ 127
Capital expenditures	$ 76	$ 10	$ 560	$ 646
Balance as of January 25, 2026				
Accounts receivable	$ 3,687	$ 1,203	$ 87	$ 4,977
Inventories	$ 4,047	$ 1,826	$ 124	$ 5,997
Goodwill	$ 2,544	$ 964	$ 199	$ 3,707

	Semiconductor Systems	Applied Global Services	Other	Total
	(In millions, except percentages)			
Three Months Ended January 26, 2025				
Revenue	$ 5,597	$ 1,353	$ 216	$ 7,166
Costs of products sold	2,611	916	143	3,670
Gross profit	$ 2,986	$ 437	$ 73	$ 3,496
Gross margin	53.4 %	32.3 %		48.8 %
Operating expenses:				
Research, development and engineering	734	14	111	859
Selling, general and administrative	380	87	(5)	462
Operating income (loss)	$ 1,872	$ 336	$ (33)	$ 2,175
Operating margin	33.4 %	24.8 %		30.4 %
Depreciation and amortization	$ 69	$ 12	$ 24	$ 105
Capital expenditures	$ 107	$ 4	$ 270	$ 381
Balance as of January 26, 2025				
Accounts receivable	$ 4,779	$ 1,105	$ 114	$ 5,998
Inventories	$ 3,543	$ 1,810	$ 148	$ 5,501
Goodwill	$ 2,564	$ 964	$ 240	$ 3,768

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 19% and 16%, respectively, of our revenue for the three months ended January 25, 2026. No other customer accounted for greater than 10% of our revenue for the three months ended January 25, 2026.

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

	Three Months Ended	
	January 25, 2026	January 26, 2025
Foundry, logic and other	62 %	69 %
Dynamic random-access memory (DRAM)	34 %	27 %
Flash memory (NAND)	4 %	4 %
	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				
	January 25, 2026		January 26, 2025		Change
	(In millions, except percentages)				
China	$ 2,095	30 %	$ 2,243	31 %	(7)%
Korea	1,458	21 %	1,667	23 %	(13)%
Taiwan	1,722	25 %	1,183	17 %	46 %
Japan	525	7 %	540	8 %	(3)%
Southeast Asia	335	5 %	286	4 %	17 %
Asia Pacific	6,135	88 %	5,919	83 %	4 %
United States	656	9 %	917	13 %	(28)%
Europe	221	3 %	330	4 %	(33)%
Total	$ 7,012	100 %	$ 7,166	100 %	(2)%

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 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 to increase 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 Applied Global Services (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 three months of fiscal 2026 and 2025 each contained 13 weeks.

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

	Three Months Ended		
	January 25, 2026	January 26, 2025	Change
	(In millions, except per share amounts and percentages)		
Revenue	$ 7,012	$ 7,166	$ (154)
Gross margin	49.0 %	48.8 %	0.2 points
Operating income	$ 1,831	$ 2,175	$ (344)
Operating margin	26.1 %	30.4 %	(4.3) points
Net income	$ 2,026	$ 1,185	$ 841
Earnings per diluted share	$ 2.54	$ 1.45	$ 1.09

Revenue

Revenue by segment for the periods presented were as follows:

	Three Months Ended				
	January 25, 2026		January 26, 2025		Change
	(In millions, except percentages)				
Semiconductor Systems	$ 5,141	73 %	$ 5,597	78 %	(8)%
Applied Global Services	1,559	22 %	1,353	19 %	15 %
Other	312	5 %	216	3 %	44 %
Total	$ 7,012	100 %	$ 7,166	100 %	(2)%

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

	Three Months Ended	
	January 25, 2026	January 26, 2025
Foundry, logic and other	62 %	69 %
Dynamic random-access memory (DRAM)	34 %	27 %
Flash memory (NAND)	4 %	4 %
	100 %	100 %

Revenue in the three months ended January 25, 2026 decreased as compared to the same period in the prior year. Gross margin in the three months ended January 25, 2026 increased compared to the same period in the prior year, primarily driven by an increase in average selling prices and lower material and manufacturing costs, partially offset by lower revenue and unfavorable changes in customer and product mix.

The Semiconductor Systems segment continued to represent the largest contributor of revenue. Semiconductor Systems revenue decreased for the three months ended January 25, 2026 compared to the same period in the prior year. Foundry and logic customers' spending decreased for the three months ended January 25, 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 months ended January 25, 2026 was higher compared to the same period in the prior year primarily due to increased customer investments in DRAM technology transitions.

Our AGS revenue increased in the three months ended January 25, 2026 compared to the same period 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				
	January 25, 2026		January 26, 2025		Change
	(In millions, except percentages)				
China	$ 2,095	30 %	$ 2,243	31 %	(7)%
Korea	1,458	21 %	1,667	23 %	(13)%
Taiwan	1,722	25 %	1,183	17 %	46 %
Japan	525	7 %	540	8 %	(3)%
Southeast Asia	335	5 %	286	4 %	17 %
Asia Pacific	6,135	88 %	5,919	83 %	4 %
United States	656	9 %	917	13 %	(28)%
Europe	221	3 %	330	4 %	(33)%
Total	$ 7,012	100 %	$ 7,166	100 %	(2)%

Revenue increased from customers in Taiwan and Southeast Asia in the three months ended January 25, 2026 compared to the same period in the prior year primarily due to increased investments in semiconductor equipment.

The decreases in revenue from customers in all other regions in the three months ended January 25, 2026 compared to the same period in the prior year was primarily due to decreased investments in semiconductor equipment.

Operating Expenses

Operating expenses for the periods presented were as follows:

	Three Months Ended		
	January 25, 2026	January 26, 2025	Change
	(In millions)		
Research, development and engineering (RD&E)	$ 928	$ 859	$ 69
Marketing and selling	$ 222	$ 206	$ 16
General and administrative (G&A)	$ 189	$ 256	$ (67)
Legal settlement	$ 253	$ —	$ 253
Restructuring charges	$ 12	$ —	$ 12

RD&E expenses for the three months ended January 25, 2026 increased compared to the same period 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 months ended January 25, 2026 increased compared to the same period in the prior year primarily due to higher employee related expenses and higher corporate support cost allocations.

G&A expenses for the three months ended January 25, 2026 decreased compared to the same period in the prior year primarily due to lower corporate support cost allocations and lower spending on professional services.

In the first quarter of fiscal 2026, we recorded a charge of $253 million related to a previously disclosed export controls compliance matter, and subsequently entered into a settlement agreement to resolve the 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 quarter 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		
	January 25, 2026	January 26, 2025	Change
		(In millions)	
Interest expense	$ 69	$ 64	$ 5
Interest and other income (expense), net	$ 566	$ 8	$ 558

Interest expense incurred was primarily associated with our senior unsecured notes. Interest expense in the three months ended January 25, 2026 increased compared to the same period 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 months ended January 25, 2026 increased compared to the same period in the prior year, primarily driven by higher net gain on equity investments, partially offset by lower interest income driven by a decrease in market rates.

Income Taxes

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

	Three Months Ended		
	January 25, 2026	January 26, 2025	Change
	(In millions, except percentages)		
Provision for income taxes	$ 302	$ 934	$ (632)
Effective income tax rate	13.0 %	44.1 %	(31.1) 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 first quarter of fiscal 2026 and 2025 were 13.0 percent and 44.1 percent, respectively. The effective tax rate for the first quarter of fiscal 2026 was lower compared to the same period in the prior fiscal year, primarily due to the immediate expensing of U.S. performed research costs in fiscal 2026 and the remeasurement of deferred tax assets related to new tax incentive agreements in Singapore in fiscal 2025.

Segment Operating Income (Loss)

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

	Three Months Ended			
	January 25, 2026	January 26, 2025	Change	
	(In millions, except percentages and ratios)			
Operating income (loss)				
Semiconductor Systems	$ 1,427	$ 1,872	$ (445)	(24)%
Applied Global Services	438	336	102	30 %
Other	(34)	(33)	(1)	3 %
Total	$ 1,831	$ 2,175	$ (344)	
Operating margin				
Semiconductor Systems	27.8 %	33.4 %	(5.6) points	
Applied Global Services	28.1 %	24.8 %	3.3 points	

Semiconductor Systems' operating margin for the three months ended January 25, 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, lower revenue and increased RD&E expenses, partially offset by an increase in average selling prices and lower material and manufacturing costs.

AGS' operating margin for the three months ended January 25, 2026 increased compared to the same period in the prior year primarily due to higher revenue from services and spares.

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:

	January 25, 2026	October 26, 2025
	(In millions)	
Cash and cash equivalents	$ 7,218	$ 7,241
Short-term investments	1,293	1,332
Long-term investments	4,968	4,327
Total cash, cash equivalents and investments	$ 13,479	$ 12,900

Sources and Uses of Cash

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

	Three Months Ended	
	January 25, 2026	January 26, 2025
	(In millions)	
Cash provided by operating activities	$ 1,686	$ 925
Cash used in investing activities	$ (780)	$ (897)
Cash used in financing activities	$ (931)	$ (1,786)

Operating Activities

Cash from operating activities for the three months ended January 25, 2026 was $1.7 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, legal settlement and restructuring charges. Cash provided by operating activities increased in the first three months of fiscal 2026 compared to the same period in the prior year primarily due to higher collections of customer receivable balances, partially offset by higher payments for income taxes and higher vendor payments.

We have an agreement with a financial institution to sell accounts receivable from selected customers. We sell our accounts receivable generally without recourse. From time to time, we also discount letters of credit issued by customers through various financial institutions. The discounting of letters of credit depends on many factors, including the willingness of financial institutions to discount the letters of credit and the cost of such arrangements. Accounts receivable sold during the three months ended January 25, 2026 and January 26, 2025, were not material. We did not discount letters of credit issued by customers during the three months ended January 25, 2026 and January 26, 2025, respectively.

Our working capital was $13.3 billion as of January 25, 2026 and $12.9 billion as of October 26, 2025.

Days sales outstanding of our accounts receivable at January 25, 2026 and January 26, 2025 were 65 days and 76 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 $780 million of cash in investing activities during the three months ended January 25, 2026. Capital expenditures totaled $646 million and purchases of investments, net of proceeds from sales and maturities of investments, were $134 million, during the three months ended January 25, 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 $931 million of cash in financing activities during the three months ended January 25, 2026, consisting primarily of cash used for repurchases of common stock of $337 million, cash dividends paid to stockholders totaling $365 million, and tax withholding payments for vested equity awards of $229 million.

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 January 25, 2026, approximately $13.6 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 $51 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 includes financial and other covenants with which we were in compliance as of January 25, 2026. No amounts were outstanding under any of these credit facilities as of January 25, 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 January 25, 2026, we had commercial paper notes outstanding with an aggregate principal amount of $100 million.

We had senior unsecured notes in the aggregate principal amount of $6.5 billion outstanding as of January 25, 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 requires a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries. The transition tax expense has been paid in installments starting with fiscal 2018, and as of January 25, 2026, we had one remaining payment of $255 million, payable in February of 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 January 25, 2026, we have recorded $975 million of investment tax credits, of which $302 million was recorded in other current assets and will offset fiscal 2026 income tax liabilities, and $673 million 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 rate 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 $3.3 billion at January 25, 2026. An immediate hypothetical 100 basis point increase in interest rates would result in a decrease in the fair value of investments as of January 25, 2026 of approximately $37 million.

Debt - We are subject to interest rate volatility with regard to existing and future issuances of debt. At January 25, 2026, the aggregate principal amount of long-term senior unsecured notes issued by us was $6.5 billion with an estimated fair value, excluding the associated interest rate swaps, of $6.1 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 $444 million at January 25, 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 January 25, 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 $182 million at January 25, 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 first 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 in 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. Artificial intelligence (AI) and technologies related to AI are a significant demand driver for the industries we serve. AI is evolving rapidly and the expected timing and amount of investments related to AI can change significantly. As a result, it is difficult to accurately forecast demand for our products related to AI. Changes in demand can affect the timing and amounts of customer investments in technology and manufacturing equipment and can significantly impact our operating results. The amount and mix of our customers' capital equipment spending between different products and technologies can also significantly impact our operating results.

To meet rapidly changing 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 unexpected or additional costs to align our business 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 January 25, 2026, approximately 91% 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. 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, 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. Our customer base is geographically concentrated, particularly in China, Taiwan and Korea, and export regulations that apply to customers in certain countries, such as those in China, have exposed and can further expose us to greater volatility. The geographic concentration of our customer base could shift over time as a result of changes in technology and competitive landscape, as well as government policy and incentives to develop regional semiconductor industries. Sales to individual customers and the mix and type of customers have varied and may continue to vary significantly, which can materially affect our operating results. 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 they substantially reduce, delay or cancel orders, we may be unable to replace the business, which could materially and adversely impact our results of operations. In addition, customer concentration increases our exposure to the financial condition of our customers, and any deterioration in a customer's financial condition, liquidity, 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 business depends on our timely supply of products and services to meet the changing requirements of our customers, which depends in part on the timely delivery of parts, materials and services from suppliers and contract manufacturers. Volatility in demand for our products and worldwide demand for semiconductor chips and electronic devices can impact our suppliers' ability to meet our demand requirements and has in the past resulted in a shortage of parts, materials and services needed to manufacture our products. These shortages, as well as delays in and unpredictability of shipments due to transportation interruptions, may adversely impact our manufacturing operations and our ability to meet customer demand. Supply chain constraints may increase costs of logistics and parts for our products and may cause us to pass on increased costs to our customers, which may lead to reduced demand for our products. Supply chain disruptions have in the past caused, and may from time to time cause, delays in our equipment production and delivery schedules, which can lead to our business performance becoming significantly dependent on quarter-end production and delivery schedules.

We may further experience supply chain disruptions, 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 as a result of:

- 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.

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 industries in which we operate are characterized by factors that impact demand for and the profitability of our products and services and our operating results. 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. The semiconductor industry and other industries in which we operate are characterized by factors particular to these industries that impact demand for and the profitability of our products and services, including:

- 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;
- 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 in which 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 other 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 by customers 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 enable responses to changing markets, applications and customer requirements;
- enhance our worldwide operations across our businesses to reduce cycle time, enable continuous quality improvement, reduce costs, and enhance 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 between our existing products and markets, the development of new products, and expanding into new and adjacent markets;
- improve the productivity of capital invested in research and development activities;
- accurately forecast demand, work with suppliers and meet production schedules for our products, improve our manufacturing processes and achieve cost efficiencies across product offerings; and
- implement changes in 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 continue to expand into related or new markets and industries, either with our existing products or with new products developed internally, or those developed in collaboration with third parties, or obtained through acquisitions. Our ability to successfully expand our business 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 to develop relationships with new customers;
- differing rates of profitability and growth among 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, business 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 locations in regions where we do not have, or have limited, operations;
- new or different competitors with potentially more financial or other resources, industry experience and established customer relationships;
- entry into new industries and countries, with differing levels of government involvement, laws and regulations, and business, employment and safety practices and requirements;
- third parties' intellectual property rights; and
- the need to comply with, or work to 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 systems, including systems owned and maintained by us or our third-party providers, to 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. AI and deepfake technologies may enable more effective phishing, social engineering or exploitation of electronic security programs utilizing false image or voice recognition. 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 information 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 the failure to obtain regulatory or other approvals, including through expanding global national security regimes that impose prohibitions on 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;
- the failure to realize expected revenues, gross and operating margins, net income and other returns from acquired businesses;
- requirements imposed by government regulators in connection with their review of a transaction, 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;
- following completion of acquisitions, 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, may impact the ability to realize anticipated synergies or other benefits;
- 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 activities associated with a transaction, which increase interest expense, and reductions in cash balances, which reduce the availability of cash flow for general corporate or 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 conducted business;
- 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 as a result of changing business conditions, technological advancements or worse-than-expected performance of the segment;
- 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. In addition, new legislation, additional regulations or global economic or political conditions may affect or impair our ability to invest in certain countries or require us to obtain regulatory approvals to do so. We may not receive the necessary regulatory approvals, or the approvals may come with significant conditions or obligations. The risks to our investment portfolio may be exacerbated by unfavorable financial market and macroeconomic conditions, and as a result, the value of the investment portfolio could be negatively impacted and lead to impairment charges.

We may seek to divest portions of our business that are not deemed to fit with our strategic plan. Divestitures involve additional risks and uncertainties, such as our ability to sell these businesses at a price and on terms that are satisfactory and in a timely manner or at all, disruption to other parts of the businesses and distraction of management, allocation of internal resources that would otherwise be devoted to completing 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 January 25, 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 January 25, 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. These systems may be maintained by us or by our 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. Implementation of new business processes and information systems requires the commitment of 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 interruptions in service 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. Changing customer and shareholder sustainability expectations, including increasing customer demand for sustainable products, and regulatory requirements, as well as actions taken to achieve our sustainability targets, could cause us to incur substantial expense and alter our manufacturing, operations or equipment designs and processes. Any failure or perceived failure to timely meet these 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 the demand for our products and subject us to significant costs and liabilities and reputational risks that could in turn adversely affect our business, financial condition and results of operations. In addition, 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. We also are or may become subject to new climate and sustainability 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. Compliance with such laws and regulations, as well as increased scrutiny from regulators, customers and other stakeholders on our sustainability practices, could result in additional costs and expose us to new risks. Any scrutiny of our greenhouse gas emissions or other sustainability disclosures, our failure to achieve related strategies and targets, or our failure to disclose our sustainability measures consistent with applicable laws and regulations or to the satisfaction of regulators or our stakeholders could negatively impact our reputation or performance.

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

We are subject to environmental, health and safety regulations in connection with our global business operations, including but not limited to: regulations related to the design, manufacture, sale, shipping, import, export and use of our products; 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 our infrastructure projects. The failure or inability to comply with existing or future environmental, health and safety regulations could result in: significant remediation or other legal liabilities; the imposition of penalties and fines; restrictions on the development, manufacture, sale, shipping, import, export or use of certain of our products; limitations on the operation of our facilities or ability to use 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 environmental, health and safety 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 January 25, 2026, approximately $13.6 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					
(October 27, 2025 to November 23, 2025)	0.4	$ 230.64	$ 82	0.4	$ 13,894
Month #2					
(November 24, 2025 to December 21, 2025)	0.4	$ 256.99	115	0.4	$ 13,779
Month #3					
(December 22, 2025 to January 25, 2026)	0.5	$ 281.46	140	0.5	$ 13,639
Total	1.3	$ 259.17	$ 337	1.3	

* 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 January 25, 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:

Exhibit No.	Description	Incorporated by Reference Form	File No.	Exhibit No.	Filing Date
10.1	Form of Performance Share Unit Agreement for members of the Executive Staff for use under the amended and restated Applied Materials, Inc. Employee Stock Incentive Plan†				
10.2	Form of Restricted Stock Unit Agreement for members of the Executive Staff for use under the amended and restated Applied Materials, Inc. Employee Stock Incentive Plan†				
10.3	First Amendment to the Applied Materials, Inc. 2016 Deferred Compensation Plan (as amended and restated on January 1, 2021), dated as of January 6, 2026†				
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.
February 19, 2026	By:	/s/ BRICE HILL
		Brice Hill *Senior Vice President, Chief Financial Officer* *(Principal Financial Officer)*
February 19, 2026	By:	/s/ ADAM SANDERS
		Adam Sanders *Vice President,* *Corporate Controller and* *Chief Accounting Officer* *(Principal Accounting Officer)*

[EMPL_NAME]
Employee ID: [**EMPLID**] Grant Number: [**GRANT_ID**]

APPLIED MATERIALS, INC.

PERFORMANCE SHARE UNIT AGREEMENT

NOTICE OF GRANT

Applied Materials, Inc. (the "Company") hereby grants you, **[EMPL_NAME]** (the "Employee"), an award of Performance Share Units under the Company's Employee Stock Incentive Plan (the "Plan"). The date of this Performance Share Unit Agreement (the "Agreement") is **[GRANT_DT]** (the "Grant Date"). Subject to the provisions of the Terms and Conditions of Performance Share Unit Award (the "Terms and Conditions"), Appendix A attached hereto and the Plan, the principal features of this Award are as follows:

Target Number of Performance Share Units: **[TARGET_SHARES] (**which number is the "Target Award")

Vesting of Performance Share Units: **[VESTING SCHEDULE and/or PERFORMANCE VESTING CONDITIONS.]***

* Except as otherwise provided in the Terms and Conditions of this Agreement, Employee will not vest in the Performance Share Units unless he or she is employed by the Company or one of its Affiliates through the applicable vesting date.

***IMPORTANT**:*

Your signature below indicates your agreement and understanding that this Award is subject to all of the Terms and Conditions (including Appendix A) and the Plan. For example, important additional information on vesting and forfeiture of this Award is contained in paragraphs 3 through 5, paragraph 7 and paragraph 16 of the Terms and Conditions as well as in Appendix A and in sections 4.4 and 12.10 of the Plan. **PLEASE BE SURE TO READ ALL OF THE TERMS AND CONDITIONS AND APPENDIX A.**

EMPLOYEE

____
[EMPL_NAME]

Date:

Be sure to retain a copy of your signed Agreement. You may obtain a paper copy at any time and at the Company's expense by requesting one from Stock Programs (see paragraph 12 of the Terms and Conditions).

TERMS AND CONDITIONS OF PERFORMANCE SHARE UNIT AWARD

1. Grant. Applied Materials, Inc. (the "Company") hereby grants to the Employee the number of Performance Share Units equal to, less than or greater than the Target Award set forth on the first page of the Notice of Grant of this Agreement, subject to all the terms and conditions in this Agreement (including the Notice of Grant, Terms and Conditions, and Appendix A) and the Plan. When Shares are delivered to the Employee as payment for vested Performance Share Units, the par value of each Share will be deemed paid by the Employee by past services rendered by him or her to the Company. Payment of Shares shall be subject to the applicable tax withholdings. Unless otherwise defined herein, capitalized terms used herein will have the meanings ascribed to them in the Plan.

2. Company's Obligation to Pay. Each Performance Share Unit represents the right to receive the value of one (1) Share at the time the Performance Share Unit vests. Unless and until the Performance Share Units have vested in the manner set forth in paragraphs 3 through 5, or paragraph 11, or Sections 4.4 or 12.10 of the Plan, the Employee will have no right to payment of such Performance Share Units. Prior to actual payment of any vested Performance Share Units, such Performance Share Units will represent an unsecured obligation of the Company. Payment of any vested Performance Share Units will be made in whole Shares only, provided, however, that if the Company determines that it is necessary or advisable, the Shares subject to the Performance Share Units shall be sold immediately upon settlement of the Performance Share Units award, and the Employee shall receive the proceeds from the sale, less any applicable fees and taxes or other required withholding.

3. Vesting Schedule. Except as provided in paragraphs 4, 5 and 11 of this Agreement, and Sections 4.4 and 12.10 of the Plan, and subject to paragraph 7, the Performance Share Units awarded by this Agreement will vest in accordance with the vesting provisions set forth on the first page of the Notice of Grant of this Agreement. Subject to paragraphs 4(b) and (d) below, Performance Share Units will not vest in accordance with any of the provisions of this Agreement unless the Employee will have been continuously employed by the Company or by one of its Affiliates from the Grant Date up to and including the Scheduled Vesting Date of the Performance Share Units (or such later date as required pursuant to Appendix A).

4. Modifications to Vesting Schedule.

(a) *Vesting upon Personal Leave of Absence.* In the event that the Employee takes a personal leave of absence ("PLOA"), the Performance Share Units that are not then vested will be modified as follows:

(i) if the duration of the Employee's PLOA is six (6) months or fewer, the vesting schedule set forth on the first page of the Notice of Grant of this Agreement will not be affected by the Employee's PLOA.

(ii) if the duration of the Employee's PLOA is greater than six (6) months but not more than twelve (12) months, the scheduled vesting of any Performance Share Units that are not then vested will be deferred for a period of time equal to the duration of the Employee's PLOA, minus six (6) months.

(iii) if the duration of the Employee's PLOA is greater than twelve (12) months, any Performance Share Units that are not then vested will immediately terminate.

(iv) Example 1. Employee's Performance Share Units are scheduled to vest on January 1 of the next calendar year. On May 1 of the current calendar year, Employee begins a six-month PLOA. The vesting schedule of Employee's Performance Share Units remains unchanged and will still be scheduled to vest on January 1 of the next calendar year.

(v) Example 2. Employee's Performance Share Units are scheduled to vest on January 1 of the next calendar year. On May 1 of the current calendar year, Employee begins a nine-month PLOA. Employee's Performance Share Units that are scheduled to vest after November 2 of the current calendar year will be modified (this is the date on which the Employee's PLOA exceeds six (6) months). Employee's Performance Share Units now will be scheduled to vest on April 1 of the next calendar year (three (3) months after the originally scheduled date).

(vi) Example 3. Employee's Performance Share Units are scheduled to vest on January 1 of the next calendar year. On May 1 of the current calendar year, Employee begins a 13-month PLOA. Employee's Performance Share Units will terminate on May 2 of the next calendar year.

In general, a "personal leave of absence" does not include any legally required leave of absence. The duration of the Employee's PLOA will be determined over a rolling twelve (12) month measurement period. Performance Share Units that are scheduled to vest during the first six (6) months of the Employee's PLOA will continue to vest as scheduled. However, Performance Share Units that are scheduled to vest after the first six (6) months of the Employee's PLOA will be deferred or terminated depending on the length of the Employee's PLOA to the extent permissible under Section 409A. For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time. The vesting schedule for the Performance Share Units will be modified, if at all, as soon as the duration of the Employee's PLOA exceeds six (6) months.

(b) *Death of Employee*. In the event that the Employee incurs a Termination of Service due to his or her death, one hundred percent (100%) of the Employee's Target Award will vest on the date of the Employee's death. In the event that any Applicable Law limits the

Company's ability to accelerate the vesting of the Performance Share Units, this paragraph 4(b) will be limited to the extent required to comply with Applicable Law.

(c) *Change of Control*. In the event of a Change of Control, the Performance Share Units will be treated in accordance with Section 4.4 of the Plan. In addition, in the event Employee experiences a qualifying Termination of Service within 12 months following a Change of Control, the vesting of the Performance Share Units shall be accelerated to the extent provided under Section 12.10 of the Plan.

(d) *Retirement*. In the event that the Employee incurs a Termination of Service by reason of voluntary resignation after obtaining at least sixty-five (65) years of age and completing at least five (5) Years of Service, a number of Performance Share Units will vest on the later of the Scheduled Vesting Date or the Certification Date in accordance with Appendix A and on the first page of the Notice of Grant of this Agreement determined in accordance with the following:

(i) if the Employee has completed at least five (5) (but fewer than ten (10)) Years of Service on the date of Termination of Service, the number equal to (I) the Performance Share Units that would have vested had the Employee remained employed through the later of the Scheduled Vesting Date or the Certification Date *multiplied by* (II) a fraction the numerator of which is twelve (12) and the denominator of which is thirty-six (36).

(ii) if the Employee has completed at least ten (10) (but fewer than fifteen (15)) Years of Service on the date of Termination of Service, the number equal to (I) the Performance Share Units that would have vested had the Employee remained employed through the later of the Scheduled Vesting Date or the Certification Date *multiplied by* (II) a fraction the numerator of which is eighteen (18) and the denominator of which is thirty-six (36).

(iii) if the Employee has completed at least fifteen (15) Years of Service on the date of Termination of Service, the number equal to (I) the Performance Share Units that would have vested had the Employee remained employed through the later of the Scheduled Vesting Date or the Certification Date *multiplied by* (II) a fraction the numerator of which is twenty-four (24) and the denominator of which is thirty-six (36).

Notwithstanding the definition of "Retirement" in the Plan, an Employee who incurs a Termination of Service by reason of voluntary resignation at the age of sixty-five (65) or over but who has not completed at least five (5) Years of Service will not be eligible for the vesting of Performance Share Units described in this paragraph 4(d).

5. Committee Discretion. The Committee, in its discretion, may at any time accelerate the vesting of all or a portion of any unvested Performance Share Units, subject to the terms of the Plan. If so accelerated, such Performance Share Units will be considered as

having vested as of the date specified by the Committee. Subject to the provisions of this paragraph 5, if the Committee, in its discretion, accelerates the vesting of all or a portion of any unvested Performance Share Units, the payment of such accelerated Performance Share Units shall be made as soon as practicable upon or following the accelerated vesting date, but in no event later than 60 days following the vesting date of such accelerated Performance Share Units.

6. Payment after Vesting. Any Performance Share Units that vest in accordance with paragraph 3 or 4 of this Agreement or section 4.4 or 12.10 of the Plan (subject in each case to withholding under paragraph 8) will be paid to the Employee (or in the event of the Employee's death, to his or her estate) as soon as practicable, but in all cases within 60 days, following the vesting date of such Performance Share Units. Any Performance Share Units that vest in accordance with paragraph 5 or 11 (subject to withholding under paragraph 8) will be paid to the Employee (or in the event of the Employee's death, to his or her estate) in accordance with the provisions of such paragraph. For each Performance Share that vests, the Employee will receive one Share, subject to withholding under paragraph 8.

Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of all or a portion of any unvested Performance Share Units is accelerated in connection with the Employee's Termination of Service (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if both (a) the Employee is a "specified employee" within the meaning of Section 409A at the time of such Termination of Service, and (b) the payment of such accelerated Performance Share Units would result in the imposition of additional tax under Section 409A if paid to the Employee within the six (6) month period following the Employee's Termination of Service, then the payment of such accelerated Performance Share Units will not be made until the date that is six (6) months and one (1) day following the date of the Employee's Termination of Service, unless the Employee dies following his or her Termination of Service, in which case, the Performance Share Units will be paid in Shares to the Employee's estate as soon as practicable following his or her death. It is the intent of this Agreement to be exempt from or comply with the requirements of Section 409A so that none of the Performance Share Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or comply.

7. Forfeiture. Notwithstanding any contrary provision of this Agreement and except in the event of Employee's death or retirement (see paragraph 4(b) and 4(d)), any Performance Share Units that have not vested pursuant to paragraphs 3 through 5 or paragraph 11 of this Agreement or Sections 4.4 or 12.10 of the Plan at the time of the Employee's Termination of Service for any or no reason will be forfeited and automatically transferred to and reacquired by the Company at no cost to the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Board, in its sole discretion, may require the

Employee to forfeit, return or reimburse the Company all or a portion of the Performance Share Units subject to this Award in accordance with paragraph 16 of the Agreement.

8. Withholding of Taxes. When Shares are issued as payment for vested Performance Share Units or, in the discretion of the Company, at such earlier time as the Tax Obligations (defined below) are due, the Company (or the employing Affiliate) will withhold a portion of the Shares that has an aggregate market value sufficient to pay all taxes and social insurance liability and other requirements in connection with the Shares, including, without limitation, (a) all federal, state and local income, employment and any other applicable taxes that are required to be withheld by the Company or the employing Affiliate, (b) the Employee's and, to the extent required by the Company (or the employing Affiliate), the Company's (or the employing Affiliate's) fringe benefit tax liability, if any, associated with the grant, vesting, or sale of the Performance Share Units and the Shares issued thereunder, and (c) all other taxes or social insurance liabilities with respect to which the Employee has agreed to bear responsibility (collectively, the "Tax Obligations"). The number of Shares withheld pursuant to the prior sentence will be rounded up to the nearest whole Share, with no refund provided in the U.S. for any value of the Shares withheld in excess of the Tax Obligations as a result of such rounding. Notwithstanding the foregoing, the Company (or, in respect of an Employee subject to Section 16 of the 1934 Act, the Committee), in its sole discretion, may require the Employee to make alternate arrangements satisfactory to it for such Tax Obligations in advance of the arising of any Tax Obligations.

Notwithstanding any contrary provision of this Agreement, no Shares will be issued unless and until satisfactory arrangements (as determined by the Company) have been made by the Employee with respect to the payment of any Tax Obligations that the Company determines must be withheld or collected with respect to such Shares. In addition and to the maximum extent permitted by law, the Company (or the employing Affiliate) has the right to retain without notice from salary or other amounts payable to the Employee, cash having a sufficient value to satisfy any Tax Obligations that the Company determines cannot be satisfied through the withholding of otherwise deliverable Shares or that are due prior to the issuance of Shares under the Performance Share Units. All Tax Obligations related to the Performance Share Units and any Shares delivered in payment thereof are the sole responsibility of the Employee. Further, Employee shall be bound by any additional withholding requirements included in the Notice of Grant and Appendix A of this Agreement.

9. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee (including through electronic delivery to a brokerage account). Notwithstanding any contrary provision of this Agreement, any quarterly or other regular, periodic dividends or distributions (as determined by the Company) paid on Shares will affect neither unvested

Performance Share Units nor Performance Share Units that are vested but unpaid, and no such dividends or other distributions will be paid on unvested Performance Share Units or Performance Share Units that are vested but unpaid. After such issuance, recordation and delivery, the Employee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Effect on Employment. Subject to any authorized, written employment contract with the Employee, the terms of the Employee's employment will be determined from time to time by the Company, or the Affiliate employing the Employee, as the case may be, and the Company, or the Affiliate employing the Employee, as the case may be, will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment of the Employee at any time for any reason whatsoever, with or without good cause. The transactions contemplated hereunder and the vesting schedule set forth on the first page of the Notice of Grant of this Agreement do not constitute an express or implied promise of continued employment for any period of time. A leave of absence or an interruption in service (including an interruption during military service) authorized or acknowledged by the Company or the Affiliate employing the Employee, as the case may be, will not be deemed a Termination of Service for the purposes of this Agreement.

11. Changes in Performance Share Units. If as a result of a stock or extraordinary cash dividend, stock split, distribution, reclassification, recapitalization, combination of Shares or the adjustment in capital stock of the Company or otherwise, or as a result of a merger, consolidation, spin-off or other corporate transaction or event, the Performance Share Units will be increased, reduced or otherwise affected, and by virtue of any such event, the Employee will, as the owner of unvested Performance Share Units (the "Prior Performance Share Units"), be entitled to new or additional or different shares of stock, cash or other securities or property (other than rights or warrants to purchase securities); such new or additional or different shares, cash or securities or property will thereupon be considered to be unvested Performance Share Units and will be subject to all of the conditions and restrictions that were applicable to the Prior Performance Share Units pursuant to this Agreement and the Plan. If the Employee receives rights or warrants with respect to any Prior Performance Share Units, such rights or warrants may be held or exercised by the Employee, provided that until such exercise, any such rights or warrants and after such exercise any shares or other securities acquired by the exercise of such rights or warrants will be considered to be unvested Performance Share Units and will be subject to all of the conditions and restrictions that were applicable to the Prior Performance Share Units pursuant to the Plan and this Agreement. The Committee, in its sole discretion, at any time may (subject to paragraph 5) accelerate the vesting of all or a portion of such new or additional shares of stock, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants; provided, however, that the payment of such accelerated new or additional awards will be made in accordance with the provisions of paragraph 5.

12. Address for Notices. Any notice to be given to the Company under this Agreement shall be addressed to the Company, in care of Stock Programs, at Applied Materials, Inc., 3050 Bowers Avenue, M/S 1213, P.O. Box 58039, Santa Clara, CA 95052-8039, U.S.A., or at such other address as the Company may hereafter designate in writing.

13. Grant is Not Transferable. Except to the limited extent provided in this Agreement, this grant of Performance Share Units and the rights and privileges conferred hereby shall not be sold, pledged, assigned, hypothecated, transferred or disposed of any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process, until the Employee has been issued Shares in payment of the Performance Share Units. Upon any attempt to sell, pledge, assign, hypothecate, transfer or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

14. Restrictions on Sale of Securities. The Employee's sale of the Shares issued as payment for vested Performance Share Units will be subject to any market blackout period that may be imposed by the Company and must comply with the Company's insider trading policies, and all applicable securities and other laws.

15. Binding Agreement. Subject to the limitation on the transferability of the Performance Share Units contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Application of Clawback Policies. In the event that (a) the Company is required to prepare an accounting restatement and is required under any applicable clawback policies (any, a "Clawback Policy") to recover erroneously awarded incentive-based compensation received by the Employee, and (b) the Board or the Committee, using its discretion under the Clawback Policy to determine the method used to enable the Employee to comply with his or her mandatory obligations under a Clawback Policy (such obligations, "Clawback Obligations"), determines such action is appropriate as a method to ensure the enforcement of the Clawback Policy, the Company may recover or require the Employee to forfeit, return or reimburse the Company for all or a portion of this award of Performance Share Units or Shares that have been issued pursuant to this award of Performance Share Units. Clawback Obligations are not limited to obligations with respect to amounts originally paid under this award but extend to all of the Employee's obligations under a Clawback Policy.

17. Additional Conditions to Issuance of Certificates for Shares. The Company will not be required to issue any certificate or certificates (which may be in book entry form) for Shares payable under this Agreement prior to fulfillment of all of the following conditions: (a) the admission of such Shares to listing on all stock exchanges on which such class of stock

is then listed; (b) the completion of any registration or other qualification of such Shares under any U.S. state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other U.S. or non-U.S. governmental regulatory body, which the Committee, in its sole discretion, will have determined to be necessary or advisable; (c) the obtaining of any approval or other clearance from any U.S. state or federal governmental agency or non-U.S. governmental agency, which the Committee, in its sole discretion, will have determined to be necessary or advisable; and (d) the lapse of such reasonable period of time following the vesting date of the Performance Share Units, as the Committee may establish from time to time, for reasons of administrative convenience.

18. Plan Governs. This Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

19. Committee Authority. The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Performance Share Units have vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

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

21. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

22. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Employee, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A prior to the actual payment of Shares pursuant to this Agreement.

23. Amendment, Suspension or Termination of the Plan. By accepting this Performance Share Units award, the Employee expressly warrants that he or she has received

a right to receive stock under the Plan, and has received, read and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

24. Labor Law. By accepting this Performance Share Units award, the Employee acknowledges that: (a) the grant of these Performance Share Units is a one-time benefit which does not create any contractual or other right of the Employee to receive future grants of Performance Share Units, or benefits in lieu of Performance Share Units; (b) all determinations with respect to any future grants, including, but not limited to, when the Performance Share Units will be granted, the number of Performance Share Units subject to each award and when the Performance Share Units will vest, shall be at the sole discretion of the Company; (c) the Employee's participation in the Plan is voluntary; (d) the value of these Performance Share Units is an extraordinary item of compensation that is outside the scope of the Employee's employment contract, if any; (e) these Performance Share Units are not part of the Employee's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (f) the vesting of these Performance Share Units shall cease upon Termination of Service for any reason, except as may otherwise be explicitly provided in the Plan or this Agreement; (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty; (h) these Performance Share Units have been granted to the Employee in the Employee's status as an employee of the Company or its Affiliates; and (i) there shall be no additional obligations for any Affiliate employing the Employee as a result of these Performance Share Units.

25. Information on the Collection, Processing and Use of Employee Data. In administering this Performance Share Units award, the Company will collect, use and transfer the Employee personal data as described in this paragraph. The Employee understands that the Company and its Affiliates hold certain personal information about him or her, including his or her name, home address and telephone number, date of birth, social security or identity number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards of Performance Share Units or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in his or her favor, for the purpose of managing and administering the Plan ("Data").

The Employee further understands that the Company and/or its Affiliates will transfer Data among themselves as necessary for the purpose of implementation, administration and management of his or her participation in the Plan, and that the Company and/or any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. The Employee understands that these recipients may be located in the European Economic Area, or elsewhere, such as in the U.S. or Asia.

The aforementioned Data will be collected, processed and used during and after the employment relationship. Data is not retained for longer than necessary to meet its intended purpose or for longer than required by applicable law.

The Employee authorizes the Company to receive, possess, use, retain and transfer the Data in electronic or other form, for the purposes of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a broker or other third party with whom the Employee may elect to deposit any Shares of stock acquired from this award of Performance Share Units, as may be required for the administration of the Plan and/or the subsequent holding of Shares of stock on his or her behalf. Subject to limitations set out in applicable law, the Employee has certain rights in respect of his or her Data, such as a right to access, correction, restriction, erasure, opposition and portability. Requests to exercise those rights can be made to the Human Resources department and/or the Stock Programs Administrator for the Company and/or its applicable Affiliates. The Employee understands, however, that refusing or opposing the collection and use of the Data may affect the Employee's ability to participate in the Plan. For more information on the consequences of the Employee's opposition to the collection or use of the Data, the Employee understands that he or she may contact the Employee's local Human Resources representative.

26. Notice of Governing Law. This award of Performance Share Units will be governed by, and construed in accordance with, the laws of the State of California, in the U.S.A., without regard to principles of conflict of laws.

***

[EMPL_NAME]
Employee ID: [**EMPLID**] Grant Number: [**GRANT_ID**]

APPLIED MATERIALS, INC.

RESTRICTED STOCK UNIT AGREEMENT

NOTICE OF GRANT

Applied Materials, Inc. (the “Company”) hereby grants you, **[EMPL_NAME]** (the “Employee”), an award of Restricted Stock Units under the Company’s Employee Stock Incentive Plan (the “Plan”). The date of this Restricted Stock Unit Agreement (the “Agreement”) is **[GRANT_DT]** (the “Grant Date”). Subject to the provisions of the Terms and Conditions of Restricted Stock Unit Award (the “Terms and Conditions”), which constitute part of this Agreement, and of the Plan, the principal features of this Award are as follows:

Number of Restricted Stock Units: **[MAX_SHARES]**

Vesting of Restricted Stock Units: Please refer to the UBS One Source website for the vesting schedule related to this grant of Restricted Stock Units (click on the specific grant under the tab labeled “Grants/Awards/Units.”).*

* Except as otherwise provided in the Terms and Conditions of this Agreement, the Employee will not vest in the Restricted Stock Units unless he or she is employed by the Company or one of its Affiliates through the applicable vesting date.

IMPORTANT:

Your signature below indicates your agreement and understanding that this Award is subject to all of the Terms and Conditions and the Plan. For example, important additional information on vesting and forfeiture of this Award is contained in paragraphs 3 through 5, paragraph 7, and paragraph 16 of the Terms and Conditions, and in Sections 4.4 and 12.10 of the Plan. **PLEASE READ ALL OF THE TERMS AND CONDITIONS.**

EMPLOYEE

____
[EMPL_NAME]

Date: ______________

Be sure to retain a copy of your signed Agreement. You may obtain a paper copy at any time and at the Company's expense by requesting one from Stock Programs (see paragraph 12 of the Terms and Conditions).

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

1. Grant. Applied Materials, Inc. (the "Company") hereby grants to the Employee the number of Restricted Stock Units set forth on the Notice of Grant of this Agreement, subject to all the terms and conditions in this Agreement (including the Notice of Grant, and Terms and Conditions) and the Plan. When Shares are delivered to the Employee as payment for the Restricted Stock Units, the par value of each Share will be deemed paid by the Employee by past services rendered by him or her to the Company, Payment of Shares shall be subject to the applicable tax withholdings. Unless otherwise defined herein, capitalized terms used herein will have the meanings ascribed to them in the Plan.

2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive the value of one (1) Share at the time the Restricted Stock Unit vests. Unless and until the Restricted Stock Units have vested in the manner set forth in paragraphs 3 through 5, or paragraph 11, or Sections 4.4 or 12.10 of the Plan, the Employee will have no right to payment of such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company. Payment of any vested Restricted Stock Units will be made in whole Shares only, provided, however, that if the Company determines that it is necessary or advisable, the Shares subject to the Restricted Stock Units shall be sold immediately upon settlement of the Restricted Stock Units, and the Employee shall receive the proceeds from the sale, less any applicable fees and taxes or other required withholding.

3. Vesting Schedule. Except as provided in paragraphs 4, 5 and 11 of this Agreement, and Sections 4.4 and 12.10 of the Plan, and subject to paragraph 7, the Restricted Stock Units awarded by this Agreement will vest in accordance with the vesting provisions set forth on the Notice of Grant of this Agreement (the "Vesting Schedule"). Subject to paragraphs 4(b) and (d) below, the Restricted Stock Units will not vest in accordance with any of the provisions of this Agreement unless the Employee will have been continuously employed by the Company or by one of its Affiliates from the Grant Date up to and including the scheduled vesting date of the Restricted Stock Units.

4. Modifications to Vesting Schedule.

(a) *Vesting upon Personal Leave of Absence.* In the event that the Employee takes a personal leave of absence ("PLOA"), the Vesting Schedule of the Restricted Stock Units will be modified as follows:

(i) if the duration of the Employee's PLOA is six (6) months or fewer, the Vesting Schedule set forth on the Notice of Grant of this Agreement will not be affected by the Employee's PLOA.

(ii) if the duration of the Employee's PLOA is greater than six (6) months but not more than twelve (12) months, the scheduled vesting of any Restricted Stock Units under the Vesting Schedule that are not then vested will be deferred for a period of time equal to the duration of the Employee's PLOA, minus six (6) months.

(iii) if the duration of the Employee's PLOA is greater than twelve (12) months, any Restricted Stock Units that are not then vested will immediately terminate.

(iv) Example 1. Employee's Restricted Stock Units are scheduled to vest on January 1 of the next calendar year. On May 1 of the current calendar year, Employee begins a six-month PLOA. The Vesting Schedule of Employee's Restricted Stock Units remains unchanged and will still be scheduled to vest on January 1 of the next calendar year.

(v) Example 2. Employee's Restricted Stock Units are scheduled to vest on January 1 of the next calendar year. On May 1 of the current calendar year, Employee begins a nine-month PLOA. Employee's Restricted Stock Units that are scheduled to vest after November 2 of the current calendar year will be modified (this is the date on which the Employee's PLOA exceeds six (6) months). Employee's Restricted Stock Units now will be scheduled to vest on April 1 of the next calendar year (three (3) months after the originally scheduled date).

(vi) Example 3. Employee's Restricted Stock Units are scheduled to vest on January 1 of the next calendar year. On May 1 of the current calendar year, Employee begins a 13-month PLOA. Employee's Restricted Stock Units will terminate on May 2 of the next calendar year.

In general, a "personal leave of absence" does not include any legally required leave of absence. The duration of the Employee's PLOA will be determined over a rolling twelve (12) month measurement period. Restricted Stock Units that are scheduled to vest during the first six (6) months of the Employee's PLOA will continue to vest as scheduled. However, Restricted Stock Units that are scheduled to vest after the first six (6) months of the Employee's PLOA will be deferred or terminated depending on the length of the Employee's PLOA to the extent permissible under Section 409A. For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time. The Vesting Schedule for the Restricted Stock Units will be modified, if at all, as soon as the duration of the Employee's PLOA exceeds six (6) months.

(b) *Death of Employee*. In the event that the Employee incurs a Termination of Service due to his or her death, one hundred percent (100%) of the Restricted Stock Units will vest on the date of the Employee's death. In the event that any Applicable Law limits the Company's ability to accelerate the vesting of the Restricted Stock Units, this paragraph 4(b) will be limited to the extent required to comply with Applicable Law.

(c) *Change of Control*. In the event of a Change of Control, the Restricted Stock Units will be treated in accordance with Section 4.4 of the Plan. In addition, in the event

Employee experiences a qualifying Termination of Service within 12 months following a Change of Control, the vesting of the Restricted Stock Units shall be accelerated to the extent provided under Section 12.10 of the Plan.

(d) *Retirement*. In the event that the Employee incurs a Termination of Service by reason of voluntary resignation after obtaining at least sixty-five (65) years of age and completing at least five (5) Years of Service, a number of the Restricted Stock Units will vest on the date of such Termination of Service determined in accordance with the following:

(i) if the Employee has completed at least five (5) (but fewer than ten (10)) Years of Service on the date of Termination of Service, all Restricted Stock Units scheduled to vest under the Vesting Schedule during the twelve (12) months following such date.

(ii) if the Employee has completed at least ten (10) (but fewer than fifteen (15)) Years of Service on the date of Termination of Service, all Restricted Stock Units scheduled to vest under the Vesting Schedule during the eighteen (18) months following such date.

(iii) if the Employee has completed at least fifteen (15) Years of Service on the date of Termination of Service, all Restricted Stock Units scheduled to vest under the Vesting Schedule during the twenty-four (24) months following such date.

Any Restricted Stock Units vesting by reason of this paragraph 4(d) will be paid out in accordance with paragraph 6 of this Agreement; provided, however, that if the Employee's Termination of Service is not considered a "separation from service" within the meaning of Section 409A, as determined by the Company, any Restricted Stock Unit vesting by reason of this paragraph 4(d) will be paid on the earliest of (x) the scheduled vesting date for such Restricted Stock Unit under the Vesting Schedule, (y) the Employee's death or (z) the Employee's actual "separation from service" within the meaning of Section 409A, as determined by the Company.

Notwithstanding the definition of "Retirement" in the Plan, an Employee who incurs a Termination of Service by reason of voluntary resignation at the age of sixty-five (65) or over but who has not completed at least five (5) Years of Service will not be eligible for the acceleration of Restricted Stock Units described in this paragraph 4(d).

5. Committee Discretion. The Committee, in its discretion, may at any time accelerate the vesting of all or a portion of any unvested Restricted Stock Units, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Committee. Subject to the provisions of this paragraph 5, if the Committee, in its discretion, accelerates the vesting of all or a portion of any unvested Restricted Stock Units, the payment of such accelerated Restricted Stock Units shall be made as soon as practicable upon or following the accelerated vesting date, but in no event later than 60 days following the vesting date of such accelerated Restricted Stock Units.

6. Payment after Vesting.

(a) Any Restricted Stock Units that vest in accordance with paragraph 3 or 4 of this Agreement or Section 4.4 or 12.10 of the Plan (subject in each case to withholding under paragraph 8) will be paid to the Employee (or in the event of the Employee's death, to his or her estate) as soon as practicable, but in all cases within 60 days, following the vesting date of such Restricted Stock Units. Any Restricted Stock Units that vest in accordance with paragraph 5 or 11 (subject to withholding under paragraph 8) will be paid to the Employee (or in the event of the Employee's death, to his or her estate) in accordance with the provisions of such paragraph. For each Restricted Stock Unit that vests, the Employee will receive one Share, subject to withholding under paragraph 8.

(b) Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of all or a portion of any unvested Restricted Stock Units is accelerated in connection with the Employee's Termination of Service (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if both (a) the Employee is a "specified employee" within the meaning of Section 409A at the time of such Termination of Service, and (b) the payment of such accelerated Restricted Stock Units would result in the imposition of additional tax under Section 409A if paid to the Employee within the six (6) month period following the Employee's Termination of Service, then the payment of such accelerated Restricted Stock Units will not be made until the date that is six (6) months and one (1) day following the date of the Employee's Termination of Service, unless the Employee dies following his or her Termination of Service, in which case, the Restricted Stock Units will be paid in Shares to the Employee's estate as soon as practicable following his or her death. It is the intent of this Agreement to be exempt from or comply with the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or comply.

7. Forfeiture. Notwithstanding any contrary provision of this Agreement and except in the event of Employee's death or retirement (see paragraphs 4(b) and 4(d)), any Restricted Stock Units that have not vested pursuant to paragraphs 3 through 5 or paragraph 11 of this Agreement or Sections 4.4 or 12.10 of the Plan at the time of the Employee's Termination of Service for any or no reason will be forfeited and automatically transferred to and reacquired by the Company at no cost to the Company.

8. Withholding of Taxes. When Shares are issued as payment for vested Restricted Stock Units or, in the discretion of the Company, at such earlier time as the Tax Obligations (defined below) are due, the Company (or the employing Affiliate) will withhold a portion of the Shares that has an aggregate market value sufficient to pay all taxes and social insurance liability and other requirements in connection with the Shares, including, without limitation, (a) all federal, state and local income, employment and any other applicable taxes that are required to be withheld by the Company or the employing Affiliate, (b) the Employee's and, to the extent required by the Company (or the employing Affiliate), the Company's (or the

employing Affiliate's) fringe benefit tax liability, if any, associated with the grant, vesting, or sale of the Restricted Stock Units and the Shares issued thereunder, and (c) all other taxes or social insurance liabilities with respect to which the Employee has agreed to bear responsibility (collectively, the "Tax Obligations"). The number of Shares withheld pursuant to the prior sentence will be rounded up to the nearest whole Share, with no refund provided in the U.S. for any value of the Shares withheld in excess of the Tax Obligations as a result of such rounding. Notwithstanding the foregoing, the Company (or, in respect of an Employee subject to Section 16 of the 1934 Act, the Committee), in its sole discretion, may require the Employee to make alternate arrangements satisfactory to it for such Tax Obligations in advance of the arising of any Tax Obligations.

Notwithstanding any contrary provision of this Agreement, no Shares will be issued unless and until satisfactory arrangements (as determined by the Company) have been made by the Employee with respect to the payment of any Tax Obligations that the Company determines must be withheld or collected with respect to such Shares. In addition, and to the maximum extent permitted by law, the Company (or the employing Affiliate) has the right to retain without notice from salary or other amounts payable to the Employee, cash having a sufficient value to satisfy any Tax Obligations that the Company determines cannot be satisfied through the withholding of otherwise deliverable Shares or that are due prior to the issuance of Shares under the Restricted Stock Units. All Tax Obligations related to the Restricted Stock Units and any Shares delivered in payment thereof are the sole responsibility of the Employee. Further, Employee shall be bound by any additional withholding requirements included in the Notice of Grant of this Agreement.

9. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee (including through electronic delivery to a brokerage account). Notwithstanding any contrary provision of this Agreement, any quarterly or other regular, periodic dividends or distributions (as determined by the Company) paid on Shares will affect neither unvested Restricted Stock Units nor Restricted Stock Units that are vested but unpaid, and no such dividends or other distributions will be paid on unvested Restricted Stock Units or Restricted Stock Units that are vested but unpaid. After such issuance, recordation and delivery, the Employee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Effect on Employment. Subject to any authorized, written employment contract with the Employee, the terms of the Employee's employment will be determined from time to time by the Company, or the Affiliate employing the Employee, as the case may be, and the Company, or the Affiliate employing the Employee, as the case may be, will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment of the Employee at any time for any reason whatsoever, with or without good cause. The transactions contemplated hereunder and the Vesting Schedule set forth on the Notice of Grant of this

Agreement do not constitute an express or implied promise of continued employment for any period of time. A leave of absence or an interruption in service (including an interruption during military service) authorized or acknowledged by the Company or the Affiliate employing the Employee, as the case may be, will not be deemed a Termination of Service for the purposes of this Agreement.

11. Changes in Restricted Stock Units. If as a result of a stock or extraordinary cash dividend, stock split, distribution, reclassification, recapitalization, combination of Shares or the adjustment in capital stock of the Company or otherwise, or as a result of a merger, consolidation, spin-off or other corporate transaction or event, the Restricted Stock Units will be increased, reduced or otherwise affected, and by virtue of any such event, the Employee will, as the owner of unvested Restricted Stock Units (the “Prior Restricted Stock Units”), be entitled to new or additional or different shares of stock, cash or other securities or property (other than rights or warrants to purchase securities), such new or additional or different shares, cash or securities or property will thereupon be considered to be unvested Restricted Stock Units and will be subject to all of the conditions and restrictions that were applicable to the Prior Restricted Stock Units pursuant to this Agreement and the Plan. If the Employee receives rights or warrants with respect to any Prior Restricted Stock Units, such rights or warrants may be held or exercised by the Employee, provided that until such exercise, any such rights or warrants, and after such exercise, any shares or other securities acquired by the exercise of such rights or warrants, will be considered to be unvested Restricted Stock Units and will be subject to all of the conditions and restrictions that were applicable to the Prior Restricted Stock Units pursuant to the Plan and this Agreement. The Committee, in its sole discretion, at any time may (subject to paragraph 5) accelerate the vesting of all or a portion of such new or additional shares of stock, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants; provided, however, that the payment of such accelerated new or additional awards will be made in accordance with the provisions of paragraph 5.

12. Address for Notices. Any notice to be given to the Company under this Agreement shall be addressed to the Company, in care of Stock Programs, at Applied Materials, Inc., 3050 Bowers Avenue, M/S 1213, P.O. Box 58039, Santa Clara, CA 95052-8039, U.S.A., or at such other address as the Company may hereafter designate in writing.

13. Grant is Not Transferable. Except to the limited extent provided in this Agreement, this grant of Restricted Stock Units and the rights and privileges conferred hereby shall not be sold, pledged, assigned, hypothecated, transferred or disposed of any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process, until the Employee has been issued Shares in payment of the Restricted Stock Units. Upon any attempt to sell, pledge, assign, hypothecate, transfer or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

14. Restrictions on Sale of Securities. The Employee’s sale of the Shares issued as payment for vested Restricted Stock Units will be subject to any market blackout period that may

be imposed by the Company and must comply with the Company’s insider trading policies, and all applicable securities and other laws.

15. Binding Agreement. Subject to the limitation on the transferability of the Restricted Stock Units contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Application of Clawback Policies. In the event that (a) the Company is required to prepare an accounting restatement and is required under any applicable clawback policies (any, a “Clawback Policy”) to recover erroneously awarded incentive-based compensation received by the Employee, and (b) the Board or the Committee, using its discretion under the Clawback Policy to determine the method used to enable the Employee to comply with his or her mandatory obligations under a Clawback Policy (such obligations, “Clawback Obligations”), determines such action is appropriate as a method to ensure the enforcement of the Clawback Policy, the Company may recover or require the Employee to forfeit, return or reimburse the Company for all or a portion of this award of Restricted Stock Units or Shares that have been issued pursuant to this award of Restricted Stock Units. Clawback Obligations are not limited to obligations with respect to amounts originally paid under this award but extend to all of the Employee’s obligations under a Clawback Policy.

17. Additional Conditions to Issuance of Certificates for Shares. The Company will not be required to issue any certificate or certificates (which may be in book entry form) for Shares payable under this Agreement prior to fulfillment of all of the following conditions: (a) the admission of such Shares to listing on all stock exchanges on which such class of stock is then listed; (b) the completion of any registration or other qualification of such Shares under any U.S. state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other U.S. or non-U.S. governmental regulatory body, which the Committee, in its sole discretion, will have determined to be necessary or advisable; (c) the obtaining of any approval or other clearance from any U.S. state or federal governmental agency or non-U.S. governmental agency, which the Committee, in its sole discretion, will have determined to be necessary or advisable; and (d) the lapse of such reasonable period of time following the vesting date of the Restricted Stock Units, as the Committee may establish from time to time, for reasons of administrative convenience.

18. Plan Governs. This Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

19. Committee Authority. The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon the Employee, the Company and all other interested persons. No

member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

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

21. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

22. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Employee, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A prior to the actual payment of Shares pursuant to this Agreement.

23. Amendment, Suspension or Termination of the Plan. By accepting this Restricted Stock Units award, the Employee expressly warrants that he or she has received a right to receive stock under the Plan, and has received, read and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

24. Labor Law. By accepting this Restricted Stock Units award, the Employee acknowledges that: (a) the grant of these Restricted Stock Units is a one-time benefit which does not create any contractual or other right of the Employee to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units; (b) all determinations with respect to any future grants, including, but not limited to, when the Restricted Stock Units will be granted, the number of Restricted Stock Units subject to each award and when the Restricted Stock Units will vest, shall be at the sole discretion of the Company; (c) the Employee's participation in the Plan is voluntary; (d) the value of these Restricted Stock Units is an extraordinary item of compensation that is outside the scope of the Employee's employment contract, if any; (e) these Restricted Stock Units are not part of the Employee's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (f) the vesting of these Restricted Stock Units shall cease upon Termination of Service for any reason, except as may otherwise be explicitly provided in the Plan or this Agreement; (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty; (h) these Restricted Stock Units have been granted to the Employee in the Employee's status as an employee of the

Company or its Affiliates; and (i) there shall be no additional obligations for any Affiliate employing the Employee as a result of these Restricted Stock Units.

25. Information on the Collection, Processing and Use of Employee Data. In administering this Restricted Stock Units award, the Company will collect, use and transfer the Employee personal data as described in this paragraph. The Employee understands that the Company and its Affiliates hold certain personal information about him or her, including his or her name, home address and telephone number, date of birth, social security or identity number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all awards of Restricted Stock Units or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in his or her favor, for the purpose of managing and administering the Plan ("Data").

The Employee further understands that the Company and/or its Affiliates will transfer Data among themselves as necessary for the purpose of implementation, administration and management of his or her participation in the Plan, and that the Company and/or any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. The Employee understands that these recipients may be located in the European Economic Area, or elsewhere, such as in the U.S. or Asia.

The aforementioned Data will be collected, processed and used during and after the employment relationship. Data is not retained for longer than necessary to meet its intended purpose or for longer than required by applicable law.

The Employee authorizes the Company to receive, possess, use, retain and transfer the Data in electronic or other form, for the purposes of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a broker or other third party with whom the Employee may elect to deposit any Shares of stock acquired from this award of Restricted Stock Units, as may be required for the administration of the Plan and/or the subsequent holding of Shares of stock on his or her behalf. Subject to limitations set out in applicable law, the Employee has certain rights in respect of his or her Data, such as a right to access, correction, restriction, erasure, opposition and portability. Requests to exercise those rights can be made to the Human Resources department and/or the Stock Programs Administrator for the Company and/or its applicable Affiliates. The Employee understands, however, that refusing or opposing the collection and use of the Data may affect the Employee's ability to participate in the Plan. For more information on the consequences of the Employee's opposition to the collection or use of the Data, the Employee understands that he or she may contact the Employee's local Human Resources representative.

26. Notice of Governing Law. This award of Restricted Stock Units will be governed by, and construed in accordance with, the laws of the State of California, in the U.S.A., without regard to principles of conflict of laws.

<u>FIRST AMENDMENT TO THE</u>

<u>APPLIED MATERIALS, INC. 2016 DEFERRED COMPENSATION PLAN</u>

(JANUARY 1, 2021 RESTATEMENT)

Applied Materials, Inc. (the "*Company*"), having established the Applied Materials, Inc. 2016 Deferred Compensation Plan (the "*Plan*"), originally effective as of January 1, 2005, and most recently restated effective as of January 1, 2021, hereby amends the restated Plan in the following particulars, effective January 1, 2026:

1. By adding the following new Section 6.1.3 to the Plan, immediately following Section 6.1.2 thereof:

> "6.1.3 <u>Divorce or Legal Separation</u>. Notwithstanding anything in the Plan to the contrary, a judgment, decree, or order of divorce or annulment shall revoke a Participant's designation of the Participant's former Spouse as a Beneficiary under the Plan. The Participant may make a subsequent Beneficiary Designation pursuant to this Section 6.1 naming the former Spouse as a Beneficiary, subject to the consent of any subsequent Spouse, if applicable."

2. By substituting the phrase "Vice President, Total Rewards, of the Company (or higher) (the 'VP Total Rewards')" for the phrase "Corporate Vice President, Global Rewards, of the Company (the 'CVP Global Rewards')" where the latter phrase appears in Section 7.1 the Plan.

3. By substituting the phrase "VP Total Rewards" for the phrase "CVP Global Rewards" where the latter phrase appears in Section 7.1 of the Plan.

4. By substituting the phrase "Total Rewards Department of the Company" for the phrase "Global Rewards Department of the Company" where the latter phrase appears in Section 7.1 of the Plan.

IN WITNESS WHEREOF, the Company, by its duly authorized delegate, has executed this First Amendment to the restated Plan on the date specified below.

APPLIED MATERIALS, INC.

Dated: January 6, 2026

By: /s/ Sean Delaney
Sean Delaney
Vice President, Total Rewards

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: February 19, 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: February 19, 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 January 25, 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 January 25, 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 January 25, 2026 fairly presents, in all material respects, the financial condition and results of operations of Applied Materials, Inc. for the periods presented therein.

Date: February 19, 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 January 25, 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 January 25, 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 January 25, 2026 fairly presents, in all material respects, the financial condition and results of operations of Applied Materials, Inc. for the periods presented therein.

Date: February 19, 2026

/s/ BRICE HILL

Brice Hill
Senior Vice President, Chief Financial Officer