

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended December 31, 2025

or

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

For the transition period from _____ to _____

Commission File Number 000-09992

KLA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

04-2564110

(I.R.S. Employer
Identification No.)

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

95035

(Zip Code)

(408) 875-3000
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

As of January 26, 2026, there were 131,076,611 shares of the registrant's Common Stock, \$0.001 par value per share, outstanding.

INDEX

	Page Number
PART I	
FINANCIAL INFORMATION	
Item 1. <u>Financial Statements (Unaudited)</u>	
Condensed Consolidated Balance Sheets as of December 31, 2025 and June 30, 2025	3
Condensed Consolidated Statements of Operations for the Three Months and Six Months Ended December 31, 2025 and 2024	4
Condensed Consolidated Statements of Comprehensive Income for the Three Months and Six Months Ended December 31, 2025 and 2024	5
Condensed Consolidated Statements of Stockholders' Equity for the Three Months and Six Months Ended December 31, 2025 and 2024	6
Condensed Consolidated Statements of Cash Flows for the Six Months Ended December 31, 2025 and 2024	7
Notes to Condensed Consolidated Financial Statements	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	45
Item 4. <u>Controls and Procedures</u>	46
PART II	
OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	47
Item 1A. <u>Risk Factors</u>	47
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
Item 3. <u>Defaults Upon Senior Securities</u>	50
Item 4. <u>Mine Safety Disclosures</u>	50
Item 5. <u>Other Information</u>	50
Item 6. <u>Exhibits</u>	52
SIGNATURES	53

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KLA CORPORATION
Condensed Consolidated Balance Sheets
(Uaudited)

(In thousands)	December 31, 2025	June 30, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,452,124	\$ 2,078,908
Marketable securities	2,755,340	2,415,715
Accounts receivable, net	2,073,581	2,263,915
Inventories	3,282,605	3,212,149
Other current assets	700,155	728,102
Total current assets	11,263,805	10,698,789
Land, property and equipment, net	1,344,768	1,252,775
Goodwill, net	1,790,597	1,792,193
Deferred income taxes	1,144,113	1,105,770
Purchased intangible assets, net	348,018	444,785
Other non-current assets	828,927	773,614
Total assets	<u>\$ 16,720,228</u>	<u>\$ 16,067,926</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 425,189	\$ 458,509
Deferred system revenue	858,088	816,834
Deferred service revenue	599,254	548,011
Other current liabilities	2,099,941	2,262,441
Total current liabilities	3,982,472	4,085,795
Long-term debt	5,886,128	5,884,257
Deferred tax liabilities	452,678	446,945
Deferred service revenue	270,549	348,844
Other non-current liabilities	662,670	609,632
Total liabilities	11,254,497	11,375,473
Commitments and contingencies (Notes 8, 13 and 14)		
Stockholders' equity:		
Common stock and capital in excess of par value	2,604,177	2,511,922
Retained earnings	2,860,594	2,179,330
Accumulated other comprehensive income	960	1,201
Total stockholders' equity	5,465,731	4,692,453
Total liabilities and stockholders' equity	<u>\$ 16,720,228</u>	<u>\$ 16,067,926</u>

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

KLA CORPORATION
Condensed Consolidated Statements of Operations
(Uaudited)

(In thousands, except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Revenues:				
Product	\$ 2,511,093	\$ 2,409,462	\$ 4,976,099	\$ 4,606,851
Service	786,053	667,389	1,530,743	1,311,541
Total revenues	3,297,146	3,076,851	6,506,842	5,918,392
Costs and expenses:				
Costs of revenues	1,271,210	1,221,461	2,514,280	2,368,892
Research and development	383,871	346,157	744,332	669,302
Selling, general and administrative	279,919	267,081	548,907	518,123
Impairment of goodwill and purchased intangible assets	—	239,100	—	239,100
Interest expense	69,668	74,981	140,743	157,152
Other expense (income), net	(37,825)	(44,458)	(81,199)	(85,393)
Income before income taxes	1,330,303	972,529	2,639,779	2,051,216
Provision for income taxes	184,621	148,002	373,057	280,838
Net income	\$ 1,145,682	\$ 824,527	\$ 2,266,722	\$ 1,770,378
Net income per share				
Basic	\$ 8.73	\$ 6.18	\$ 17.24	\$ 13.24
Diluted	\$ 8.68	\$ 6.16	\$ 17.15	\$ 13.17
Weighted-average number of shares:				
Basic	131,278	133,327	131,517	133,730
Diluted	132,009	133,926	132,205	134,415

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

KLA CORPORATION
Condensed Consolidated Statements of Comprehensive Income
(Uaudited)

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Net income	\$ 1,145,682	\$ 824,527	\$ 2,266,722	\$ 1,770,378
Other comprehensive income (loss):				
Currency translation adjustments:				
Cumulative currency translation adjustments	(697)	(15,281)	3,943	(5,024)
Income tax (provision) benefit	72	2,002	(644)	854
Net change related to currency translation adjustments	<u>(625)</u>	<u>(13,279)</u>	<u>3,299</u>	<u>(4,170)</u>
Cash flow hedges:				
Net unrealized gains arising during the period	12,405	1,889	15,769	4,987
Reclassification adjustments for net gains included in net income	(12,168)	(2,260)	(24,380)	(5,768)
Income tax (provision) benefit	(150)	(1,118)	2,254	1,095
Net change related to cash flow hedges	<u>87</u>	<u>(1,489)</u>	<u>(6,357)</u>	<u>314</u>
Net change related to unrecognized gains and transition obligations in connection with defined benefit plans	132	807	278	575
Available-for-sale securities:				
Net unrealized gains (losses) arising during the period	1,100	(8,816)	3,546	7,606
Reclassification adjustments for net gains included in net income	(215)	(1)	(312)	—
Income tax (provision) benefit	(190)	1,896	(695)	(1,636)
Net change related to available-for-sale securities	<u>695</u>	<u>(6,921)</u>	<u>2,539</u>	<u>5,970</u>
Other comprehensive income (loss)	289	(20,882)	(241)	2,689
Total comprehensive income	<u><u>\$ 1,145,971</u></u>	<u><u>\$ 803,645</u></u>	<u><u>\$ 2,266,481</u></u>	<u><u>\$ 1,773,067</u></u>

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

KLA CORPORATION
Condensed Consolidated Statements of Stockholders' Equity
(Uaudited)

(In thousands, except per share amounts)	Common Stock and Capital in Excess of Par Value		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			
Balances as of June 30, 2025	132,023	\$ 2,511,922	\$ 2,179,330	\$ 1,201	\$ 4,692,453
Net income	—	—	1,121,040	—	1,121,040
Other comprehensive loss	—	—	—	(530)	(530)
Net issuance under employee stock plans	116	(81,122)	—	—	(81,122)
Repurchase of common stock	(623)	(11,861)	(552,539)	—	(564,400)
Cash dividends (\$1.90 per share) and dividend equivalents declared	—	—	(252,552)	—	(252,552)
Stock-based compensation expense	—	70,182	—	—	70,182
Balances as of September 30, 2025	131,516	2,489,121	2,495,279	671	4,985,071
Net income	—	—	1,145,682	—	1,145,682
Other comprehensive income	—	—	—	289	289
Net issuance under employee stock plans	87	49,826	—	—	49,826
Repurchase of common stock	(460)	(8,717)	(528,836)	—	(537,553)
Cash dividends (\$1.90 per share) and dividend equivalents declared	—	—	(251,531)	—	(251,531)
Stock-based compensation expense	—	73,947	—	—	73,947
Balances as of December 31, 2025	<u>131,143</u>	<u>\$ 2,604,177</u>	<u>\$ 2,860,594</u>	<u>\$ 960</u>	<u>\$ 5,465,731</u>

(In thousands, except per share amounts)	Common Stock and Capital in Excess of Par Value		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			
Balances as of June 30, 2024	134,425	\$ 2,280,133	\$ 1,137,270	\$ (49,075)	\$ 3,368,328
Net income	—	—	945,851	—	945,851
Other comprehensive income	—	—	—	23,571	23,571
Net issuance under employee stock plans	134	(72,245)	—	—	(72,245)
Repurchase of common stock	(740)	(12,536)	(558,400)	—	(570,936)
Cash dividends (\$1.45 per share) and dividend equivalents declared	—	—	(196,555)	—	(196,555)
Stock-based compensation expense	—	61,700	—	—	61,700
Balances as of September 30, 2024	133,819	2,257,052	1,328,166	(25,504)	3,559,714
Net income	—	—	824,527	—	824,527
Other comprehensive loss	—	—	—	(20,882)	(20,882)
Net issuance under employee stock plans	104	43,931	—	—	43,931
Repurchase of common stock	(979)	(16,478)	(639,495)	—	(655,973)
Cash dividends (\$1.70 per share) and dividend equivalents declared	—	—	(228,609)	—	(228,609)
Stock-based compensation expense	—	61,841	—	—	61,841
Balances as of December 31, 2024	<u>132,944</u>	<u>\$ 2,346,346</u>	<u>\$ 1,284,589</u>	<u>\$ (46,386)</u>	<u>\$ 3,584,549</u>

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

KLA CORPORATION
Condensed Consolidated Statements of Cash Flows
(Uaudited)

(In thousands)	Six Months Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 2,266,722	\$ 1,770,378
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment of goodwill and purchased intangible assets	—	239,100
Depreciation and amortization	196,284	199,745
Unrealized foreign exchange loss and other	14,382	19,064
Stock-based compensation expense	144,129	123,541
Net gain on sale of assets	—	(161)
Deferred income taxes	(42,343)	(150,658)
Changes in assets and liabilities:		
Accounts receivable	178,583	(486,264)
Inventories	(94,524)	5,632
Other assets	(14,346)	61,796
Accounts payable	(28,707)	54,617
Deferred system revenue	41,259	86,709
Deferred service revenue	(27,052)	58,790
Other liabilities	(105,189)	(137,536)
Net cash provided by operating activities	2,529,198	1,844,753
Cash flows from investing activities:		
Proceeds from sale of assets	—	161
Capital expenditures	(201,470)	(152,716)
Proceeds from capital-related government assistance	16,782	—
Purchases of available-for-sale and equity securities	(1,811,484)	(1,326,968)
Proceeds from maturity and sale of available-for-sale securities	1,473,704	1,921,004
Purchases of trading securities	(180,808)	(34,857)
Proceeds from sale of trading securities	180,606	36,043
Net cash provided by (used in) investing activities	(522,670)	442,667
Cash flows from financing activities:		
Payment of debt issuance costs	(1,602)	—
Repayment of debt	—	(750,000)
Common stock repurchases	(1,092,817)	(1,217,504)
Payment of dividends to stockholders	(503,662)	(424,855)
Issuance of common stock	55,542	47,538
Tax withholding payments related to vested and released restricted stock units	(86,839)	(75,854)
Net cash used in financing activities	(1,629,378)	(2,420,675)
Effect of exchange rate changes on cash and cash equivalents	(3,934)	(5,596)
Net increase (decrease) in cash and cash equivalents	373,216	(138,851)
Cash and cash equivalents at beginning of period	2,078,908	1,977,129
Cash and cash equivalents at end of period	\$ 2,452,124	\$ 1,838,278
Supplemental cash flow disclosures:		
Income taxes paid, net	\$ 402,950	\$ 458,228
Interest paid, net of capitalized interest	\$ 139,194	\$ 156,185
Non-cash activities:		
Dividends payable - financing activities	\$ 4,437	\$ 4,113
Unsettled common stock repurchase - financing activities	\$ 5,500	\$ 5,500
Accrued purchases of land, property and equipment - investing activities	\$ 26,040	\$ 11,354

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

KLA CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

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

The unaudited interim Condensed Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for audited financial statements. The balance sheet as of June 30, 2025 was derived from the Company’s audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025, but does not include all disclosures required by GAAP for audited financial statements. The unaudited interim Condensed Consolidated Financial Statements reflect all adjustments (consisting only of normal, recurring adjustments) necessary for a fair statement of the financial position, results of operations, comprehensive income, stockholders’ equity and cash flows for the periods indicated. These Condensed Consolidated Financial Statements and notes, however, should be read in conjunction with Item 8 “Financial Statements and Supplementary Data” included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

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

The results of operations for the three and six months ended December 31, 2025 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year ending June 30, 2026.

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

Reclassifications. The Company has reclassified certain prior period balances to conform to the current year presentation. These reclassifications did not impact any prior amounts of reported total assets, total liabilities, stockholders’ equity, results of operations or cash flows.

Significant Accounting Policies. Except for the below change, there have been no changes to our significant accounting policies summarized in Note 1 “Description of Business and Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

Change in Annual Impairment Testing Date. During the second quarter of fiscal 2026, the Company changed the annual goodwill impairment testing date for all reporting units from February 28 to December 31 to better align with the timing of our budgeting and strategic planning process. We believe that the change in our annual impairment test date is preferable as it allows us to evaluate any potential impact strategic decisions may have on the recoverability of goodwill as those decisions are reached. This will also enable us to use the most current information available in the assessment process. The change in the annual impairment testing date did not delay, accelerate or avoid an impairment charge. For additional details, refer to Note 6 “Goodwill and Purchased Intangible Assets” to our Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements

Recently Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*. The new guidance requires enhanced disclosures about significant segment expenses. This standard update is effective for our annual reports beginning in the fiscal year ended June 30, 2025, and interim period reports beginning in the first quarter of the fiscal year ending June 30, 2026. We adopted ASU 2023-07 starting with our annual report for the fiscal year ended June 30, 2025, for annual reporting and from July 1, 2025, for interim periods on a retrospective basis.

In September 2025, the FASB issued ASU 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. The new guidance removes all references to prescriptive and sequential software development stages or project stages throughout Subtopic 350-40. Therefore, an entity is required to start capitalizing software costs when management has authorized and committed to funding the software project and it is probable that the project will be completed, and the software will be used to perform the function intended. The standard update is effective for our annual and interim reports beginning in the first quarter of our fiscal year ending June 30, 2028. Early adoption is permitted as of the beginning of an annual reporting period. We adopted ASU 2025-06 for our first quarter of the fiscal year ending June 30, 2026 using a prospective transition approach, and the effect was immaterial to our Consolidated Financial Statements.

Updates Not Yet Effective

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*. The new guidance requires enhanced disclosures about income tax expenses. This standard update is effective for our annual reports beginning in the fiscal year ending June 30, 2026. The amendments in this ASU will be applied on a prospective basis. Adoption of this new guidance will result in expanded disclosures in the Notes to the Consolidated Financial Statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The new guidance requires enhanced disclosures about certain expenses in the notes to the financial statements to provide enhanced transparency into the expense captions presented on the face of the income statement. In 2025, the FASB issued ASU 2025-01 which clarifies the effective date for entities that do not have an annual reporting period that ends on December 31st. The Company is required to adopt this standard for our annual reports beginning in the fiscal year ending June 30, 2028, and interim period reports beginning in the first quarter of the fiscal year ending June 30, 2029. Early adoption is permitted. The amendments in this ASU should be applied either on a prospective or retrospective basis. We are currently evaluating the impact of this ASU on our disclosures.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The new guidance allows companies to apply a practical expedient when estimating credit losses on current accounts receivable and contract assets. The standard update is effective for our annual and interim reports beginning in the first quarter of our fiscal year ending June 30, 2027. Early adoption is permitted for periods in which financial statements have not yet been issued or made ready for issuance. The amendments in this ASU should be applied on a prospective basis. We are currently evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In December 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*. The new guidance establishes the accounting for a government grant received by a business entity, including guidance for a grant related to an asset and a grant related to income. The new guidance also requires disclosures, including the nature of the government grant received, the accounting policies used to account for the grant, and significant terms and conditions of the grant unless legally prohibited from being disclosed. The standard update is effective for our annual and interim reports beginning in the fiscal year ending June 30, 2030. Early adoption is permitted in both interim and annual reporting periods in which the financial statements have not yet been issued or made available for issuance. If adopted in an interim reporting period, it must be adopted as of the beginning of the annual reporting period that includes that interim reporting period. The amendments in this ASU should be applied using a modified prospective, modified retrospective, or retrospective approach. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*. The new guidance clarifies interim disclosure requirements and the applicability of Topic 270. The standard update is effective for our annual and interim reports beginning in the fiscal year ending June 30, 2029. Early adoption is permitted. The amendments in this ASU can be applied either prospectively or retrospectively to any or all periods presented in the financial statements. We are currently evaluating the impact of this guidance on our interim reporting.

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*. The new guidance adds clarification, corrects errors, or makes minor improvements. The standard update is effective for our annual and interim reports beginning in the fiscal year ending June 30, 2028. Early adoption is permitted. The amendments in this ASU can be applied either prospectively or retrospectively to the beginning of the earliest period presented in the financial statements. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements.

NOTE 2 – REVENUE

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

(Dollar amounts in thousands)	As of December 31, 2025	As of June 30, 2025	\$ Change	% Change
Accounts receivable, net	\$ 2,073,581	\$ 2,263,915	\$ (190,334)	(8)%
Contract assets	\$ 93,117	\$ 105,081	\$ (11,964)	(11)%
Contract liabilities	\$ 1,727,891	\$ 1,713,689	\$ 14,202	1 %

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

The change in contract assets during the six months ended December 31, 2025 was mainly due to \$4.5 million of contract assets reclassified to accounts receivable, net, as our right to consideration for these contract assets became unconditional, partially offset by \$72.7 million of revenue recognized for which the payment is subject to conditions other than passage of time. Contract assets are included in other current assets on our Condensed Consolidated Balance Sheets.

The change in contract liabilities during the six months ended December 31, 2025 was mainly due an increase in the value of products and services billed to customers for which control of the products and services has not transferred to the customers, largely offset by the recognition as revenue of \$1.04 billion that was included in contract liabilities as of June 30, 2025. Contract liabilities are included in current liabilities and non-current liabilities, classified as deferred system revenue or deferred service revenue, on our Condensed Consolidated Balance Sheets.

The following table represents the transaction price for contracts that have not yet been recognized as revenue as of December 31, 2025, which equals our contract liabilities, and when the Company expects to recognize the amounts as revenue:

(Dollar amounts in thousands)	Less than 12 months	12 to 24 months	24 months or greater	Total
Contract liabilities	\$ 1,457,342	\$ 183,822	\$ 86,727	\$ 1,727,891

NOTE 3 – FAIR VALUE MEASUREMENTS

Our financial assets and liabilities are measured and recorded at fair value, except for our debt and certain equity investments in privately held companies. Equity investments without a readily available fair value are accounted for using the measurement alternative. The measurement alternative is calculated as cost minus impairment, if any, plus or minus changes resulting from observable price changes. See Note 7 “Debt” to our Condensed Consolidated Financial Statements for disclosure of the fair value of our Senior Notes, as defined in that Note.

Our non-financial assets, such as goodwill, intangible assets, and land, property and equipment, are recorded at fair value only if an impairment is recognized in the current period. We assess for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For goodwill, we assess for impairment annually.

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

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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

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

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

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

<u>As of December 31, 2025 (In thousands)</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>		<u>Significant Other Observable Inputs (Level 2)</u>
		<u>—</u>	<u>—</u>	
Assets				
Cash equivalents:				
Corporate debt securities	\$ 11,517	\$ —	\$ 11,517	
Money market funds and other	2,029,446	2,029,446	—	
U.S. Treasury securities	2,993	—	2,993	
Marketable securities:				
Corporate debt securities	1,123,698	—	1,123,698	
Municipal securities	38,236	—	38,236	
U.S. Government agency securities	114,233	114,233	—	
U.S. Treasury securities	1,161,326	1,116,331	44,995	
Equity securities	16,874	16,874	—	
Total cash equivalents and marketable securities ⁽¹⁾	<u>4,498,323</u>	<u>3,276,884</u>	<u>1,221,439</u>	
Other current assets:				
Derivative assets	52,505	—	52,505	
Other non-current assets:				
Executive Deferred Savings Plan	369,933	278,880	91,053	
Total financial assets⁽¹⁾	<u>\$ 4,920,761</u>	<u>\$ 3,555,764</u>	<u>\$ 1,364,997</u>	
Liabilities				
Derivative liabilities	\$ (8,219)	\$ —	\$ (8,219)	
Total financial liabilities	<u>\$ (8,219)</u>	<u>\$ —</u>	<u>\$ (8,219)</u>	

(1) Excludes cash of \$307.3 million held in operating accounts and time deposits of \$401.9 million (of which \$100.9 million were cash equivalents) as of December 31, 2025.

<u>As of June 30, 2025 (In thousands)</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets</u>		<u>Significant Other Observable Inputs</u> <u>(Level 2)</u>		
		<u>(Level 1)</u>				
Assets						
Cash equivalents:						
Municipal securities	\$ 6,120	\$ —		\$ 6,120		
Corporate debt securities	1,498	—		1,498		
Money market funds and other	1,531,022	1,531,022		—		
U.S. Government agency securities	9,955	—		9,955		
U.S. Treasury securities	9,981	—		9,981		
Marketable securities:						
Corporate debt securities	960,148	—		960,148		
Municipal securities	51,453	—		51,453		
U.S. Government agency securities	106,881	106,881		—		
U.S. Treasury securities	877,578	802,682		74,896		
Equity securities	23,962	23,962		—		
Total cash equivalents and marketable securities ⁽¹⁾	3,578,598	2,464,547		1,114,051		
Other current assets:						
Derivative assets	59,503	—		59,503		
Other non-current assets:						
Executive Deferred Savings Plan	349,530	336,090		13,440		
Total financial assets⁽¹⁾	\$ 3,987,631	\$ 2,800,637		\$ 1,186,994		
Liabilities						
Derivative liabilities	\$ (28,615)	\$ —		\$ (28,615)		
Total financial liabilities	\$ (28,615)	\$ —		\$ (28,615)		

(1) Excludes cash of \$437.8 million held in operating accounts and time deposits of \$478.2 million (of which \$82.5 million were cash equivalents) as of June 30, 2025.

We did not have any financial assets or liabilities measured at fair value on a recurring basis within Level 3 fair value measurements as of December 31, 2025 or June 30, 2025.

NOTE 4 – FINANCIAL STATEMENT COMPONENTS

Condensed Consolidated Balance Sheets

(In thousands)	As of December 31, 2025		As of June 30, 2025	
Accounts receivable, net:				
Accounts receivable, gross	\$ 2,107,540	\$ 2,297,930		
Allowance for credit losses	(33,959)	(34,015)		
	\$ 2,073,581	\$ 2,263,915		
Inventories:				
Customer service parts	\$ 625,503	\$ 600,769		
Raw materials	1,568,734	1,491,786		
Work-in-process	836,166	833,933		
Finished goods	252,202	285,661		
	\$ 3,282,605	\$ 3,212,149		
Other current assets:				
Deferred costs of revenues	\$ 230,611	\$ 223,829		
Prepaid expenses	154,399	201,053		
Contract assets	93,117	105,081		
Prepaid income and other taxes	60,370	64,704		
Other current assets	161,658	133,435		
	\$ 700,155	\$ 728,102		
Land, property and equipment, net:				
Land	\$ 86,665	\$ 86,677		
Buildings and leasehold improvements	1,221,595	1,132,176		
Machinery and equipment	1,337,606	1,238,599		
Office furniture and fixtures	77,227	73,993		
Construction-in-process	210,611	207,807		
	2,933,704	2,739,252		
Less: accumulated depreciation	(1,588,936)	(1,486,477)		
	\$ 1,344,768	\$ 1,252,775		
Other non-current assets:				
Executive Deferred Savings Plan ⁽¹⁾	\$ 369,933	\$ 349,530		
Operating lease right of use assets	294,427	269,714		
Other non-current assets	164,567	154,370		
	\$ 828,927	\$ 773,614		
Other current liabilities:				
Compensation and benefits	\$ 550,870	\$ 418,515		
Executive Deferred Savings Plan ⁽¹⁾	371,201	350,426		
Customer deposits	363,121	636,369		
Interest payable	110,058	110,056		
Income taxes payable	159,410	167,262		
Operating lease liabilities	50,987	45,192		
Other liabilities and accrued expenses	494,294	534,621		
	\$ 2,099,941	\$ 2,262,441		
Other non-current liabilities:				
Income taxes payable	\$ 252,145	\$ 221,808		
Operating lease liabilities	172,363	158,833		
Pension liabilities	48,767	51,750		
Customer deposits	7,467	6,823		
Other non-current liabilities	181,928	170,418		
	\$ 662,670	\$ 609,632		

(1) We have a non-qualified deferred compensation plan (known as the “Executive Deferred Savings Plan” or “EDSP”) under which certain employees and non-employee directors may defer a portion of their compensation. The expense associated with changes in the EDSP liability included in selling, general and administrative (“SG&A”) was \$6.4 million and \$3.3 million in the three months ended December 31, 2025 and 2024, respectively, and was \$24.6 million and \$21.3 million during the six months ended December 31, 2025 and 2024, respectively. The amount of net gains associated with changes in the EDSP assets included in SG&A expense was \$6.2 million and \$3.5 million in the three months ended December 31, 2025 and 2024, respectively, and was \$24.4 million and \$21.4 million during the six months ended December 31, 2025 and 2024, respectively. For additional details, refer to Note 1 “Description of Business and Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

Accumulated Other Comprehensive Income (Loss)

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

(In thousands)	Currency Translation Adjustments	Unrealized Gains (Losses) on Available-for-Sale Securities	Unrealized Gains (Losses) on Derivatives	Unrealized Gains (Losses) on Defined Benefit Plans	Total
Balance as of December 31, 2025	\$ (53,978)	\$ 8,331	\$ 58,441	\$ (11,834)	\$ 960
Balance as of June 30, 2025	\$ (57,277)	\$ 5,792	\$ 64,798	\$ (12,112)	\$ 1,201

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

AOCI Components	Location in the Condensed Consolidated Statement of Operations	Three Months Ended December 31,		Six Months Ended December 31,	
		2025	2024	2025	2024
Unrealized gains on cash flow hedges from foreign exchange and interest rate contracts	Revenues	\$ 2,193	\$ 1,011	\$ 2,403	\$ 3,546
	Costs of revenues and operating expenses	9,216	428	20,460	454
	Interest expense	759	821	1,517	1,768
	Net gains reclassified from AOCI	\$ 12,168	\$ 2,260	\$ 24,380	\$ 5,768
Unrealized gains on available-for-sale securities	Other expense (income), net	\$ 215	\$ 1	\$ 312	\$ —

NOTE 5 – MARKETABLE SECURITIES

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

As of December 31, 2025 (In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	\$ 1,130,306	\$ 4,938	\$ (29)	\$ 1,135,215
Money market funds and other	2,029,446	—	—	2,029,446
Municipal securities	38,094	142	—	38,236
U.S. Government agency securities	113,763	488	(18)	114,233
U.S. Treasury securities	1,159,229	5,109	(19)	1,164,319
Subtotal	4,470,838	10,677	(66)	4,481,449
Add: Time deposits ⁽¹⁾	401,850	—	—	401,850
Less: Cash equivalents	2,144,833	1	(1)	2,144,833
Marketable securities ⁽²⁾	\$ 2,727,855	\$ 10,676	\$ (65)	\$ 2,738,466

<u>As of June 30, 2025 (In thousands)</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Corporate debt securities	\$ 957,256	\$ 4,456	\$ (66)	\$ 961,646
Money market funds and other	1,531,022	—	—	1,531,022
Municipal securities	57,445	129	(1)	57,573
U.S. Government agency securities	116,436	458	(58)	116,836
U.S. Treasury securities	885,101	2,787	(329)	887,559
Subtotal	3,547,260	7,830	(454)	3,554,636
Add: Time deposits ⁽¹⁾	478,191	—	—	478,191
Less: Cash equivalents	1,641,074	1	(1)	1,641,074
Marketable securities⁽²⁾	\$ 2,384,377	\$ 7,829	\$ (453)	\$ 2,391,753

(1) Time deposits excluded from fair value measurements.

(2) Excludes equity marketable securities.

Our investment portfolio includes both corporate and government securities that have a maximum maturity of three years. The longer the duration of these securities, the more susceptible they are to changes in market interest rates and bond yields. As yields increase, those securities with a lower yield-at-cost show a mark-to-market unrealized loss. Most of our unrealized losses are due to changes in market interest rates and bond yields. We believe that we have the ability to realize the full value of all these investments upon maturity. As of December 31, 2025, we had 43 investments in a gross unrealized loss position. The following table summarizes the fair value and gross unrealized losses of our investments that were in an unrealized loss position as of the dates indicated below.

<u>As of December 31, 2025</u> <u>(In thousands)</u>	<u>Less than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
Corporate debt securities	\$ 66,944	\$ (29)	\$ —	\$ —	\$ 66,944	\$ (29)
U.S. Government agency securities	28,897	(18)	—	—	28,897	(18)
U.S. Treasury securities	20,992	(19)	2,468	—	23,460	(19)
Total	\$ 116,833	\$ (66)	\$ 2,468	\$ —	\$ 119,301	\$ (66)

<u>As of June 30, 2025</u> <u>(In thousands)</u>	<u>Less than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
Corporate debt securities	\$ 98,149	\$ (63)	\$ 2,528	\$ (3)	\$ 100,677	\$ (66)
Municipal securities	5,774	(1)	—	—	5,774	(1)
U.S. Government agency securities	32,780	(58)	—	—	32,780	(58)
U.S. Treasury securities	238,627	(297)	20,330	(32)	258,957	(329)
Total	\$ 375,330	\$ (419)	\$ 22,858	\$ (35)	\$ 398,188	\$ (454)

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

<u>As of December 31, 2025 (In thousands)</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due within one year	\$ 1,192,512	\$ 1,194,912
Due after one year through three years	1,535,343	1,543,554
Total	\$ 2,727,855	\$ 2,738,466

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Realized gains and losses on available-for-sale securities for the three and six months ended December 31, 2025 and 2024 were immaterial.

The costs for our equity marketable securities were \$22.9 million as of both December 31, 2025, and June 30, 2025. Unrealized gains and losses for our equity marketable securities for the three and six months ended December 31, 2025 and 2024 were immaterial.

NOTE 6 – GOODWILL AND PURCHASED INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in business combinations.

The following table presents changes in goodwill carrying value by reportable segment during the six months ended December 31, 2025:

<u>(In thousands)</u>	<u>Semiconductor Process Control</u>	<u>Specialty Semiconductor Process</u>	<u>Printed Circuit Board (“PCB”) and Component Inspection</u>	<u>Total</u>
Balances as of June 30, 2025	\$ 759,885	\$ 681,858	\$ 350,450	\$ 1,792,193
Foreign currency adjustments	82	(586)	(1,092)	(1,596)
Balances as of December 31, 2025	\$ 759,967	\$ 681,272	\$ 349,358	\$ 1,790,597

As of December 31, 2025, and June 30, 2025, goodwill is net of accumulated impairment losses of \$77.6 million and \$70.5 million in the Semiconductor Process Control and PCB and Component Inspection reportable segments, respectively.

Goodwill is not subject to amortization but is tested for impairment annually, as well as whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In testing goodwill for impairment, we utilize a qualitative assessment to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. When performing the qualitative assessment, we consider the following factors: stock price or market capitalization, changes in the industry and competitive environment, budget-to-actual revenue and profitability performance from the prior year and projected revenue and profitability trends for future years at our reporting units. If our qualitative assessment indicates that goodwill impairment is more likely than not, we perform a quantitative assessment by comparing the carrying value to the fair value of the reporting units. If the fair value is determined to be less than the carrying value, the amount of impairment is computed as the excess of the carrying value over the estimated fair value, not to exceed the carrying value of goodwill. Any impairment charges could have a material adverse effect on our operating results and net asset value in the quarter in which we recognize the impairment charge.

During the second quarter of fiscal 2026, the Company changed the annual goodwill impairment testing date for all reporting units from February 28 to December 31 to better align with the timing of our budgeting and strategic planning process. We believe this change is preferable because it allows us to evaluate any potential impact strategic decisions may have on the recoverability of goodwill as those decisions are reached. This will also enable us to use the most current information available in the assessment process. The change in the measurement date did not delay, accelerate or avoid recognition of an impairment charge. Each quarter the Company evaluates impairment indicators to determine whether a triggering event has occurred which would warrant a quantitative assessment to determine whether there has been an impairment. We have applied this change on a prospective basis for the fiscal year ending June 30, 2026 since the impact is not material to our financial statements.

We performed the required annual goodwill impairment testing for all reportable segments as of December 31, 2025, and concluded that goodwill was not impaired. As a result of our qualitative assessment, we determined that it was not necessary to perform the quantitative assessment.

During the second quarter of fiscal 2025, in connection with our annual strategic planning process, we noted a continued deterioration of the long-term forecast for our PCB business, which is part of our PCB and Component Inspection reportable segment. In addition, in the second quarter of fiscal 2025, we completed an internal reorganization affecting the composition of reporting units within our Specialty Semiconductor Process and PCB and Component Inspection reportable segments. The downward revision of financial outlook for PCB and the reorganization of reporting units triggered goodwill impairment tests. As a result of our quantitative assessment before reorganization, we recorded a total goodwill impairment charge of \$230.4 million in the former PCB reporting unit, which was part of the PCB and Component Inspection reportable

segment, in the second quarter of fiscal 2025. No goodwill impairment was identified in the Specialty Semiconductor Process reportable segment. We assessed for impairment subsequent to the reorganization and noted no impairment. The goodwill balances of our new reporting units after reorganization were allocated on a relative fair value basis.

To determine the fair value of a reporting unit, we utilized income and market approaches and applied weighting of 75 percent and 25 percent, respectively. The income approach is estimated through discounted cash flow analysis. This valuation technique requires us to use significant estimates and assumptions, including long-term growth rates, discount rates and other inputs. The market approach estimates the fair value of the reporting unit by utilizing the market comparable method, which is based on revenue and earnings multiples from comparable companies. There can be no assurance that these estimates and assumptions will prove to be an accurate prediction of the future, and a downward revision of these estimates and/or assumptions would decrease the fair value of our reporting units, which could result in additional impairment charges in the future.

Purchased Intangible Assets

Changes in the gross carrying amount of intangible assets result from changes in foreign currency exchange rates and acquisitions. The components of purchased intangible assets as of the dates indicated below were as follows:

(In thousands)	As of December 31, 2025			As of June 30, 2025		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Amount	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Amount
Category						
Existing technology	\$ 1,556,782	\$ 1,298,518	\$ 258,264	\$ 1,555,688	\$ 1,222,520	\$ 333,168
Customer relationships	358,499	301,549	56,950	359,555	285,274	74,281
Trade name / Trademark	119,416	118,019	1,397	119,409	113,210	6,199
Order backlog and other	91,352	84,992	6,360	89,309	84,419	4,890
Intangible assets subject to amortization	2,126,049	1,803,078	322,971	2,123,961	1,705,423	418,538
In-process research and development	44,874	19,827	25,047	46,074	19,827	26,247
Total	\$ 2,170,923	\$ 1,822,905	\$ 348,018	\$ 2,170,035	\$ 1,725,250	\$ 444,785

Purchased intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be fully recoverable. Impairment indicators primarily include declines in our operating cash flows from the use of these assets. If impairment indicators are present, we are required to perform a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to these long-lived assets to their carrying value.

As of December 31, 2025, there were no impairment indicators for purchased intangible assets.

In connection with the evaluation of the goodwill impairment in the PCB and Component Inspection reportable segment during the second quarter of fiscal 2025, due to the continued deterioration of financial outlook for the businesses and internal reorganization both noted above, the Company assessed tangible and intangible assets for impairment prior to performing the goodwill impairment test. The Company first performed a recoverability test for each asset group identified in the PCB and Component Inspection reportable segment by comparing projected undiscounted cash flows from the use and eventual disposition of each asset group to its carrying value. This test indicated that the undiscounted cash flows were not sufficient to recover the carrying value of the asset groups. We then compared the carrying value of the individual long-lived assets within those asset groups against their fair value in order to measure the impairment loss. As a result of this assessment, we recorded a total purchased intangible asset impairment charge of \$8.7 million. No impairment was identified for other long-lived assets in the second quarter of fiscal 2025.

Total impairment charges for goodwill and purchased intangible assets of \$239.1 million were recognized as separate charges and included in income (loss) from operations in the three months ended December 31, 2024.

Amortization expense for purchased intangible assets was \$49.3 million and \$98.6 million for the three and six months ended December 31, 2025, respectively, and \$58.9 million and \$115.6 million for the three and six months ended December 31, 2024, respectively.

Based on the purchased intangible assets gross carrying amount recorded as of December 31, 2025, the remaining estimated annual amortization expense is expected to be as follows:

<u>Fiscal year ending June 30:</u>		<u>Amortization (In thousands)</u>
2026 (remaining six months)		\$ 92,022
2027		129,064
2028		49,163
2029		35,606
2030		14,800
2031 and thereafter		2,316
Total		\$ 322,971

The expected amortization expense is an estimate. Actual amounts of amortization may differ from estimated amounts due to additional intangible asset acquisitions, changes in foreign currency exchange rates, impairment of intangible assets and other events.

NOTE 7 – DEBT

The following table summarizes our debt as of December 31, 2025 and June 30, 2025:

	<u>As of December 31, 2025</u>		<u>As of June 30, 2025</u>	
	<u>Amount (In thousands)</u>	<u>Effective Interest Rate</u>	<u>Amount (In thousands)</u>	<u>Effective Interest Rate</u>
Fixed-rate 4.100% Senior Notes due on March 15, 2029	\$ 800,000	4.159 %	\$ 800,000	4.159 %
Fixed-rate 4.650% Senior Notes due on July 15, 2032	1,000,000	4.657 %	1,000,000	4.657 %
Fixed-rate 4.700% Senior Notes due on February 1, 2034	500,000	4.777 %	500,000	4.777 %
Fixed-rate 5.650% Senior Notes due on November 1, 2034	250,000	5.670 %	250,000	5.670 %
Fixed-rate 5.000% Senior Notes due on March 15, 2049	400,000	5.047 %	400,000	5.047 %
Fixed-rate 3.300% Senior Notes due on March 1, 2050	750,000	3.302 %	750,000	3.302 %
Fixed-rate 4.950% Senior Notes due on July 15, 2052	1,450,000	5.023 %	1,450,000	5.023 %
Fixed-rate 5.250% Senior Notes due on July 15, 2062	800,000	5.259 %	800,000	5.259 %
Total	5,950,000		5,950,000	
Unamortized discount	(22,605)		(23,338)	
Unamortized debt issuance costs	(41,267)		(42,405)	
Total	\$ 5,886,128		\$ 5,884,257	
Reported as:				
Long-term debt	5,886,128		5,884,257	
Total	\$ 5,886,128		\$ 5,884,257	

Senior Notes and Debt Redemption

The original discounts on the senior, unsecured long-term notes listed in the table above (collectively, “Senior Notes”) are being amortized over the life of the debt. Interest is payable semi-annually as follows: on January 15 and July 15 of each year for the Senior Notes due July 15, 2032, 2052, and 2062; on February 1 and August 1 of each year for the Senior Notes due February 1, 2034; on March 1 and September 1 of each year for the Senior Notes due March 1, 2050; on March 15 and September 15 of each year for the Senior Notes due March 15, 2029, and 2049; and on May 1 and November 1 of each year for the Senior Notes due November 1, 2034. The Senior Notes rank senior in right of payment to all of KLA Corporation’s future subordinated indebtedness, equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness, are effectively subordinated in right of payment to all of our future secured indebtedness to the extent of the collateral securing such indebtedness and structurally subordinated in right of payment to all existing and future indebtedness.

and other liabilities of the Issuer's subsidiaries. The relevant indentures for the Senior Notes (collectively, the "Indenture") include covenants that limit our ability to grant liens on our facilities and enter into sale and leaseback transactions.

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

Based on the trading prices of the Senior Notes on the applicable dates, the fair value of the Senior Notes as of December 31, 2025 and June 30, 2025 was \$55 billion and \$5.54 billion, respectively. While the Senior Notes are recorded at cost, the fair value of the long-term debt was determined based on quoted prices in markets that are not active; accordingly, the long-term debt is categorized as Level 2 for purposes of the fair value measurement hierarchy.

As of December 31, 2025, we were in compliance with all of our covenants under the Indenture associated with the Senior Notes.

Revolving Credit Facility

On July 3, 2025, we entered into a revolving credit facility ("Revolving Credit Facility") with a maturity date of July 3, 2030 that allows us to borrow up to \$50 billion, pursuant to the terms set forth in the credit agreement ("Credit Agreement"). Subject to the terms of the Credit Agreement, the Revolving Credit Facility may be increased by an amount up to \$500.0 million in the aggregate. As of December 31, 2025, we had no outstanding borrowings under the Revolving Credit Facility.

Under the Revolving Credit Facility, we may borrow, repay and reborrow funds until the maturity date, which may be extended following the exercise of no more than two one-year extension options with the consent of the lenders. We may prepay outstanding borrowings under the Revolving Credit Facility at any time without a prepayment penalty.

Borrowings under the Revolving Credit Facility can be made as Term Secured Overnight Financing Rate ("SOFR") Loans or Alternate Base Rate ("ABR") Loans, at the Company's option. In the event that Term SOFR is unavailable, any Term SOFR elections will be converted to Daily Simple SOFR, as long as it is available. Each Term SOFR Loan will bear interest at a rate per annum equal to the applicable Adjusted Term SOFR rate, which is equal to the applicable Term SOFR rate plus a spread ranging from 62.5 bps to 100.0 bps, as determined by the Company's credit ratings at the time. Each ABR Loan will bear interest at a rate per annum equal to the ABR, as determined by the Company's credit ratings at the time. We are also obligated to pay an annual commitment fee on the daily undrawn balance of the Revolving Credit Facility, which ranges from 4.0 bps to 10.0 bps, subject to an adjustment in conjunction with changes to our credit rating. The applicable interest rates and commitment fees are also subject to adjustment based on the Company's performance against certain environmental sustainability key performance indicators ("KPI") related to greenhouse gas emissions and renewable electricity usage. Our performance against these KPIs in calendar year 2024 resulted in reductions to the fees associated with our Revolving Credit Facility. As of December 31, 2025, the applicable commitment fee on the daily undrawn balance of the Revolving Credit Facility was 5.5 bps.

Under the Revolving Credit Facility, the maximum net leverage ratio on a quarterly basis is 3.25 to 1.00, covering the trailing four consecutive fiscal quarters for each fiscal quarter, which may be increased to 3.75 to 1.00 for a period of time in connection with a material acquisition or a series of material acquisitions. As of December 31, 2025, our maximum allowed net leverage ratio was 3.25 to 1.00.

We were in compliance with all covenants under the Credit Agreement as of December 31, 2025.

NOTE 8 – LEASES

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

Our existing leases do not contain significant restrictive provisions or residual value guarantees; however, certain leases contain provisions for the payment of maintenance, real estate taxes or insurance costs by us. Our leases have remaining lease terms ranging from less than one year to 27 years, including periods covered by options to extend the lease when it is reasonably certain that the option will be exercised.

Lease expense was \$14.3 million and \$27.9 million for the three and six months ended December 31, 2025, respectively, and \$1.9 million and \$25.0 million for the three and six months ended December 31, 2024, respectively. Expenses related to short-term leases, which were not recorded on the Condensed Consolidated Balance Sheets, were not material for the three and six months ended December 31, 2025 and 2024. As of December 31, 2025 and June 30, 2025, the weighted-average remaining lease term was 5.8 and 6.2 years, respectively, and the weighted-average discount rate for operating leases was 3.83% and 4.06% as of December 31, 2025 and June 30, 2025, respectively.

Supplemental cash flow information related to leases was as follows:

In thousands	Six Months Ended December 31,	
	2025	2024
Operating cash outflows from operating leases	\$ 27,322	\$ 21,258
Right of use assets obtained in exchange for new operating lease liabilities	\$ 40,673	\$ 22,051

Maturities of lease liabilities as of December 31, 2025 were as follows:

Fiscal Year Ending June 30:	(In thousands)
2026 (remaining six months)	\$ 30,311
2027	57,569
2028	38,354
2029	32,022
2030	29,555
2031 and thereafter	63,601
Total lease payments	251,412
Less imputed interest	(28,062)
Total	\$ 223,350

As of December 31, 2025, we did not have material leases that had not yet commenced.

NOTE 9 – EQUITY AND LONG-TERM INCENTIVE COMPENSATION PLANS

As of December 31, 2025, 9.3 million shares remained available for issuance under the KLA Corporation 2023 Incentive Award Plan (“2023 Plan”). In addition, we have an Employee Stock Purchase Plan (“ESPP”), which enables eligible employees to purchase our common stock. We also offer a cash-based long-term incentive program (“Cash LTI”) to eligible employees.

For details of the 2023 Plan, ESPP and Cash LTI plans, refer to Note 10 “Equity, Long-Term Incentive Compensation Plans and Non-Controlling Interest” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

Equity Incentive Plans - General Information

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

(In thousands)	Available For Grant⁽¹⁾
Balance as of June 30, 2025	9,574
Restricted stock units granted ⁽²⁾	(311)
Restricted stock units granted adjustment ⁽³⁾	53
Restricted stock units canceled	33
Balance as of December 31, 2025	9,349

(1) The number of restricted stock units (“RSU”) reflects the application of the award multiplier of 2.0x to calculate the impact of the award on the shares reserved under the 2023 Plan.

(2) Includes RSUs granted to senior management during the six months ended December 31, 2025 with performance-based vesting criteria (in addition to service-based vesting criteria for any of such RSUs that are deemed to have been earned) (“performance-based RSU”). This line item includes all such performance-based RSUs granted during the six months ended December 31, 2025 reported at the maximum possible number of shares that may ultimately be issuable if all

applicable performance-based criteria are achieved at their maximum levels and all applicable service-based criteria are fully satisfied (0.1 million shares for the six months ended December 31, 2025 reflect the application of the multiplier described above).

(3) Represents the portion of RSUs granted with performance-based vesting criteria and reported at the actual number of shares issued upon achievement of the performance vesting criteria during the six months ended December 31, 2025.

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

The following table shows stock-based compensation ("SBC") expense for the indicated periods:

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
SBC expense by:				
Costs of revenues	\$ 13,261	\$ 10,469	\$ 25,496	\$ 20,258
R&D	21,598	17,045	42,956	34,425
SG&A	39,088	34,327	75,677	68,858
Total SBC expense	\$ 73,947	\$ 61,841	\$ 144,129	\$ 123,541

SBC capitalized as inventory was \$27.2 million and \$26.3 million as of December 31, 2025 and June 30, 2025, respectively.

Restricted Stock Units

The following table shows the activity and weighted-average grant date fair values for RSUs during the six months ended December 31, 2025:

	Shares ⁽¹⁾ (In thousands)	Weighted-Average Grant Date Fair Value
Outstanding RSUs as of June 30, 2025 ⁽²⁾	1,292	\$ 536.30
Granted ⁽³⁾	156	\$ 919.13
Granted adjustments ⁽⁴⁾	(27)	\$ 397.40
Vested and released	(224)	\$ 431.73
Forfeited	(16)	\$ 567.36
Outstanding RSUs as of December 31, 2025 ⁽²⁾	1,181	\$ 609.48

(1) Share numbers reflect actual shares subject to awarded RSUs.

(2) Includes performance-based RSUs.

(3) This line item includes performance-based RSUs granted during the six months ended December 31, 2025 reported at the maximum possible number of shares that may ultimately be issuable if all applicable performance-based criteria are achieved at their maximum levels and all applicable service-based criteria are fully satisfied (0.1 million shares for the six months ended December 31, 2025, reflect the application of the multiplier described above).

(4) Represents the portion of RSUs granted with performance-based vesting criteria and reported at the actual number of shares issued upon achievement of the performance vesting criteria during the six months ended December 31, 2025.

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

As of December 31, 2025, the unrecognized SBC expense balance related to RSUs was \$493.9 million, excluding the impact of estimated forfeitures, and will be recognized over an estimated weighted-average amortization period of 1.3 years. The intrinsic value of outstanding RSUs as of December 31, 2025 was \$1.43 billion.

NOTE 10 – STOCK REPURCHASE PROGRAM

Our Board of Directors has authorized a program that permits us to repurchase our common stock, including an increase in the authorized repurchase amount of \$0.00 billion in the fourth quarter of fiscal 2025. The stock repurchase program has no expiration date and may be suspended at any time. The intent of the program is, in part, to mitigate the potential dilutive impact related to our equity incentive plans and shares issued in connection with our ESPP as well as to return excess cash to our stockholders. Any and all share repurchase transactions are subject to market conditions and applicable legal requirements.

Under the authoritative guidance, share repurchases are recognized as a reduction to retained earnings to the extent available, with any excess recognized as a reduction of capital in excess of par value. In addition, the Inflation Reduction Act of 2022 introduced a 1% excise tax imposed on certain stock repurchases made after December 31, 2022 by publicly traded companies. The excise tax is recorded as part of the cost basis of treasury stock repurchased after December 31, 2022 and, as such, is included in stockholders' equity.

As of December 31, 2025, an aggregate of \$3.94 billion of authorization was available for repurchase under the stock repurchase program.

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

<u>(In thousands)</u>	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Number of shares of common stock repurchased	460	979	1,083	1,719
Total cost of repurchases	\$ 537,553	\$ 655,973	\$ 1,101,953	\$ 1,226,909

NOTE 11 – NET INCOME PER SHARE

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

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

<u>(In thousands, except per share amounts)</u>	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Numerator:				
Net income	\$ 1,145,682	\$ 824,527	\$ 2,266,722	\$ 1,770,378
Denominator:				
Weighted-average shares - basic, excluding unvested RSUs	131,278	133,327	131,517	133,730
Effect of dilutive RSUs and options	731	599	688	685
Weighted-average shares - diluted	<u>132,009</u>	<u>133,926</u>	<u>132,205</u>	<u>134,415</u>
Basic net income per share	\$ 8.73	\$ 6.18	\$ 17.24	\$ 13.24
Diluted net income per share	\$ 8.68	\$ 6.16	\$ 17.15	\$ 13.17
Anti-dilutive securities excluded from the computation of diluted net income per share	4	145	3	36

NOTE 12 – INCOME TAXES

The following table provides details of income taxes:

(Dollar amounts in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Income before income taxes	\$ 1,330,303	\$ 972,529	\$ 2,639,779	\$ 2,051,216
Provision for income taxes	\$ 184,621	\$ 148,002	\$ 373,057	\$ 280,838
Effective tax rate	13.9 %	15.2 %	14.1 %	13.7 %

Our effective tax rate was lower than the U.S. federal statutory rate during the three and six months ended December 31, 2025 primarily due to the proportion of earnings generated in jurisdictions with tax rates lower than the U.S. statutory rate and the proportion of U.S. earnings eligible for the Foreign Derived Intangible Income deduction.

In the normal course of business, we are subject to examination by tax authorities throughout the world. We are subject to U.S. federal income tax examinations for all years beginning from the fiscal year ended June 30, 2022 and are under U.S. federal income tax examination for the fiscal year ended June 30, 2018. We have completed the federal income tax examination for the fiscal years ended June 30, 2019 and June 30, 2020. We are subject to state income tax examinations for all years beginning from the fiscal year ended June 30, 2021. We are also subject to examinations in other major foreign jurisdictions, including Singapore and Israel, for all years beginning from the calendar year ended December 31, 2019. We are under audit in Israel for calendar year ended December 31, 2019 to the fiscal year ended June 30, 2022 and received a tax assessment from the Israel Tax Authority. The assessment will be appealed. We believe our current unrecognized tax benefits are sufficient. It is possible that certain examinations may be concluded in the next 12 months. The timing and resolution of income tax examinations are uncertain. Given the uncertainty around the timing of the resolution of these ongoing examinations, we are unable to estimate the full range of possible adjustments to our unrecognized tax benefits within the next 12 months.

Legislative Developments

In January 2026, the Organization for Economic Co-operation and Development's ("OECD") introduced two new Pillar Two safe harbors which are expected to be available for fiscal years beginning on or after January 1, 2026: (1) the Side-by-Side Safe Harbor ("SBSSH") for multinational entities headquartered in the jurisdictions with both eligible domestic and worldwide tax systems, and (2) the Ultimate Parent Entity ("UPE") Safe Harbor for multinational entities with a UPE located in a jurisdiction that has only an eligible domestic tax system. The U.S. is an eligible jurisdiction for the SBSSH. We are not expecting a material tax impact to our Condensed Consolidated Financial Statements when countries begin to enact legislation to adopt the SBSSH provisions.

In December 2025, Israel adopted the Pillar Two Global Anti-Base Erosion ("GloBE") rules under the Multinational Enterprise ("Minimum Tax") Act, which includes a domestic minimum tax of 15% that will be effective for us beginning in the fiscal year ending June 30, 2027. The Pillar Two GloBE rules are deemed an alternative minimum tax so we did not recognize any deferred taxes for the estimated effects of the future minimum tax under current GAAP. We are not expecting a material tax impact to our Condensed Consolidated Financial Statements.

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act ("OBBA"), also known as the Tax Relief for American Families and Workers Act of 2025. The OBBA provides for several permanent changes to the U.S. tax code among other items, including modifying the Global Intangible Low-Taxed Income and Foreign-Derived Intangible Income rules from the Tax Cuts and Jobs Act; restoring full expensing for domestic research expenses; and reinstating 100% bonus depreciation provisions. ASC 740, Income Taxes, requires that the tax effects of changes in tax rates and laws be recognized in the period in which the legislation is enacted. The OBBA provisions will result in an increase to our cash flows from operating activities and an increase to our effective tax rate in our fiscal year ending June 30, 2026. The effective tax rate changes have been reflected in the consolidated financial statements for the three and six months ended December 31, 2025, and did not have a material impact to our Condensed Consolidated Financial Statements.

In November 2024, Singapore adopted the Pillar Two GloBE rules under the Minimum Tax Act, which includes a domestic minimum tax of 15% that is effective for us in the current fiscal year. There was no material impact to our Condensed Consolidated Financial Statements during the three and six months ended December 31, 2025. The Pillar Two GloBE rules are deemed an alternative minimum tax so we did not recognize any deferred taxes for the estimated effects of the future minimum tax under current GAAP.

California Governor Newsom approved the 2024-25 California State Budget on June 27, 2024, which includes a provision to suspend the use of all net operating losses and limits the use of R&D tax credits to \$5 million for tax years 2024

through 2026. This provision is effective in our fiscal years ended June 30, 2025 through June 30, 2027. There was no material tax impact to our Condensed Consolidated Financial Statements during the three and six months ended December 31, 2025.

In December 2021, the OECD's Inclusive Framework on Base Erosion and Profit Shifting released GloBE rules under Pillar Two. For the countries that have enacted legislation to adopt the Pillar Two GloBE rules, the provisions requiring a 15% minimum effective tax rate on income earned in the respective countries and a global 15% minimum effective top-up tax are effective for us beginning in our fiscal year ended June 30, 2025. There was no material tax impact to our Condensed Consolidated Financial Statements from these Pillar Two provisions during the three and six months ended December 31, 2025.

NOTE 13 – LITIGATION AND OTHER LEGAL MATTERS

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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

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

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Receivables sold under factoring agreements	\$ 70,425	\$ 38,246	\$ 176,792	\$ 83,705
Proceeds from sales of LC	\$ 2,768	\$ 33,359	\$ 20,994	\$ 35,337

Factoring and LC fees for the sale of certain trade receivables were recorded in other expense (income), net and were not material for the periods presented. KLA may continue servicing the receivables that are sold.

Purchase Commitments. We maintain commitments to purchase inventory from our suppliers as well as goods, services and other assets in the ordinary course of business. Our liability under these purchase commitments is generally restricted to a forecasted time-horizon as mutually agreed between the parties. This forecasted time-horizon can vary among different suppliers. Our estimate of our significant purchase commitments primarily for material, services, supplies and asset purchases is approximately \$2.75 billion as of December 31, 2025, a majority of which are due within the next 12 months. Actual expenditures will vary based upon the volume of the transactions and length of contractual service provided. In addition, the amounts paid under these arrangements may be less in the event that the arrangements are renegotiated or canceled. Certain agreements provide for potential cancellation penalties.

Cash LTI Plan. As of December 31, 2025, we have committed \$116.0 million for future payment obligations under our Cash LTI Plan. Cash LTI awards issued to employees under the Cash LTI Plan vest in three or four equal installments, with one-third or one-fourth of the aggregate amount of the Cash LTI award vesting on each anniversary of the grant date over a three- or four-year period. In order to receive payments under a Cash LTI award, participants must remain employed by us as of the applicable award vesting date.

Guarantees, Contingencies and Other. We maintain guarantee arrangements available through various financial institutions for up to \$64.7 million, of which \$132.2 million had been issued as of December 31, 2025, primarily to fund

guarantees to customs authorities for value-added tax and other operating requirements of our consolidated subsidiaries worldwide.

In January 2025, we entered into a long-term virtual power purchase agreement to purchase a portion of the output generated from a solar energy project for a fixed price. As part of this agreement, we will also receive renewable energy credits commensurate with the power we acquire. These credits can be applied against our greenhouse gas emissions, accelerating the progress towards our goals of 100% renewable electricity across our global operations by 2030, reduction of our Scope 1 and 2 emissions from our 2021 baseline by 50% by 2030 and achievement of net zero Scope 1 and Scope 2 emissions by 2050. This agreement had no material impact on our results of operations, financial condition or cash flows during the quarter ended December 31, 2025.

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

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

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

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

NOTE 15 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

We routinely hedge our exposures to certain foreign currencies with various financial institutions in an effort to minimize the impact of certain currency exchange rate fluctuations. These foreign exchange contracts, designated as cash flow hedges, generally have maturities of less than 12 months. Cash flow hedges are evaluated for effectiveness monthly, based on changes in total fair value of the derivatives. If a financial counterparty to any of our hedging arrangements experiences financial difficulties or is otherwise unable to honor the terms of the foreign currency hedge, we may experience material losses.

Since fiscal 2015, we have entered into five sets of forward contracts, generally to hedge the benchmark interest rate on portions of our Senior Notes prior to issuance (collectively, "Rate Lock Agreements"). Upon issuance of the associated debt, the Rate Lock Agreements were settled and their fair values were recorded within AOCI. The resulting gains and losses from these transactions are amortized to interest expense over the lives of the associated debt. As of December 31, 2025, the aggregate unamortized portion of the fair value of the forward contracts for the Rate Lock Agreements was a \$42.9 million net gain.

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

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

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

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

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

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Derivatives Designated as Cash Flow Hedging Instruments:				
Foreign exchange contracts:				
Amounts included in the assessment of effectiveness	\$ 12,394	\$ 1,703	\$ 15,694	\$ 5,147
Amounts excluded from the assessment of effectiveness	\$ 11	\$ 186	\$ 75	\$ (160)
Derivatives Designated as Net Investment Hedging Instruments:				
Foreign exchange contracts ⁽¹⁾ :	\$ 6,257	\$ 8,712	\$ 25,582	\$ 1,713

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

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

(In thousands)	Three Months Ended December 31,				Three Months Ended December 31,			
	2025				2024			
	Revenues	Costs of Revenues and Operating Expenses	Interest Expense	Other Expense (Income), Net	Revenues	Costs of Revenues and Operating Expenses	Interest Expense	Other Expense (Income), Net
Total amounts presented in the Condensed Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	\$ 3,297,146	\$ 1,935,000	\$ 69,668	\$ (37,825)	\$ 3,076,851	\$ 2,073,799	\$ 74,981	\$ (44,458)
Gains (Losses) on Derivatives Designated as Hedging Instruments:								
Rate lock agreements:								
Amount of gains reclassified from AOCI to earnings	\$ —	\$ —	\$ 759	\$ —	\$ —	\$ —	\$ 821	\$ —
Foreign exchange contracts:								
Amount of gains reclassified from AOCI to earnings	\$ 2,438	\$ 9,216	\$ —	\$ —	\$ 1,325	\$ 428	\$ —	\$ —
Amount excluded from the assessment of effectiveness recognized in earnings	\$ (245)	\$ —	\$ —	\$ 5,716	\$ (314)	\$ —	\$ —	\$ 6,344
Gains (Losses) on Derivatives Not Designated as Hedging Instruments:								
Amount of gains recognized in earnings	\$ —	\$ —	\$ —	\$ 12,837	\$ —	\$ —	\$ —	\$ 3,317

(In thousands)	Six Months Ended December 31,				Six Months Ended December 31,			
	2025				2024			
	Revenues	Costs of Revenues and Operating Expenses	Interest Expense	Other Expense (Income), Net	Revenues	Costs of Revenues and Operating Expenses	Interest Expense	Other Expense (Income), Net
Total amounts presented in the Condensed Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	\$ 6,506,842	\$ 3,807,519	\$ 140,743	\$ (81,199)	\$ 5,918,392	\$ 3,795,417	\$ 157,152	\$ (85,393)
Gains (Losses) on Derivatives Designated as Hedging Instruments:								
Rate lock agreements:								
Amount of gains reclassified from AOCI to earnings	\$ —	\$ —	\$ 1,517	\$ —	\$ —	\$ —	\$ 1,768	\$ —
Foreign exchange contracts:								
Amount of gains reclassified from AOCI to earnings	\$ 2,819	\$ 20,460	\$ —	\$ —	\$ 4,429	\$ 454	\$ —	\$ —
Amount excluded from the assessment of effectiveness recognized in earnings	\$ (416)	\$ —	\$ —	\$ 9,539	\$ (883)	\$ —	\$ —	\$ 5,973
Gains (Losses) on Derivatives Not Designated as Hedging Instruments:								
Amount of gains recognized in earnings	\$ —	\$ —	\$ —	\$ 13,098	\$ —	\$ —	\$ —	\$ 3,400

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

(In thousands)	As of December 31, 2025	As of June 30, 2025
Cash flow hedge contracts - foreign currency		
Purchase	\$ 466,783	\$ 405,349
Sell	\$ 111,752	\$ 159,475
Net investment hedge contracts - foreign currency		
Sell	\$ 386,213	\$ 384,130
Other foreign currency hedge contracts		
Purchase	\$ 623,473	\$ 618,844
Sell	\$ 429,916	\$ 429,643

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

(In thousands)	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	As of December 31, 2025	As of June 30, 2025	Balance Sheet Location	As of December 31, 2025	As of June 30, 2025
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Derivatives designated as hedging instruments						
Foreign exchange contracts	Other current assets	\$ 34,810	\$ 29,492	Other current liabilities	\$ (5,152)	\$ (24,331)
Total derivatives designated as hedging instruments		34,810	29,492		(5,152)	(24,331)
Derivatives not designated as hedging instruments						
Foreign exchange contracts	Other current assets	17,695	30,011	Other current liabilities	(3,067)	(4,284)
Total derivatives not designated as hedging instruments		17,695	30,011		(3,067)	(4,284)
Total derivatives		\$ 52,505	\$ 59,503		\$ (8,219)	\$ (28,615)

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

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Beginning AOCI	\$ 77,047	\$ 61,494	\$ 66,570	\$ 68,903
Amount reclassified to earnings as net gains	(12,168)	(2,260)	(24,380)	(5,768)
Net change in unrealized gains	18,662	10,601	41,351	6,700
Ending AOCI	\$ 83,541	\$ 69,835	\$ 83,541	\$ 69,835

As of December 31, 2025, the net gain reported in AOCI that is expected to be reclassified into earnings within the next 12 months is \$2.5 million.

Offsetting of Derivative Assets and Liabilities

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

As of December 31, 2025

(In thousands)	Gross Amounts of Derivatives			Gross Amounts of Derivatives Offset in the Condensed Consolidated Balance Sheets	Net Amount of Derivatives Presented in the Condensed Consolidated Balance Sheets	Gross Amounts of Derivatives Not Offset in the Condensed Consolidated Balance Sheets						
	Financial Instruments	Cash Collateral Received	Net Amount	Financial Instruments	Cash Collateral Received	Net Amount	Financial Instruments	Cash Collateral Received	Net Amount	Financial Instruments	Cash Collateral Received	Net Amount
Derivatives - assets	\$ 52,505	\$ —	\$ 52,505	\$ (8,173)	\$ —	\$ 44,332	\$ 52,505	\$ (8,173)	\$ —	\$ 44,332	\$ —	\$ —
Derivatives - liabilities	\$ (8,219)	\$ —	\$ (8,219)	\$ 8,173	\$ —	\$ (46)	\$ (8,219)	\$ 8,173	\$ —	\$ (46)	\$ —	\$ —

As of June 30, 2025

(In thousands)	Gross Amounts of Derivatives	Gross Amounts of Derivatives Offset in the Condensed Consolidated Balance Sheets	Net Amount of Derivatives Presented in the Condensed Consolidated Balance Sheets	Gross Amounts of Derivatives Not Offset in the Condensed Consolidated Balance Sheets								
	Financial Instruments	Cash Collateral Received	Net Amount	Financial Instruments	Cash Collateral Received	Net Amount	Financial Instruments	Cash Collateral Received	Net Amount	Financial Instruments	Cash Collateral Received	Net Amount
Derivatives - assets	\$ 59,503	\$ —	\$ 59,503	\$ (28,615)	\$ —	\$ 30,888	\$ 59,503	\$ (28,615)	\$ —	\$ 30,888	\$ —	\$ —
Derivatives - liabilities	\$ (28,615)	\$ —	\$ (28,615)	\$ 28,615	\$ —	\$ —	\$ (28,615)	\$ 28,615	\$ —	\$ —	\$ —	\$ —

NOTE 16 – SEGMENT REPORTING AND GEOGRAPHIC INFORMATION

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

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

Semiconductor Process Control

The Semiconductor Process Control segment offers a comprehensive portfolio of inspection, metrology and data analytics products, and related services, which helps integrated circuit (“IC”) manufacturers achieve target yield throughout the entire semiconductor fabrication process, from R&D to final volume production. Our differentiated products and services are designed to provide comprehensive solutions that help our customers accelerate development and production ramp cycles, achieve higher and more stable semiconductor die yields and improve their overall profitability.

Specialty Semiconductor Process

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

PCB and Component Inspection

The PCB and Component Inspection segment enables electronic device manufacturers to inspect, test and measure PCBs, flat panel displays and ICs to verify their quality, pattern the desired electronic circuitry on the relevant substrate and perform three-dimensional shaping of metalized circuits on multiple surfaces. In March 2024, we made the decision to exit the Display business by announcing we would end manufacturing of most Display products but will continue to provide services to the installed base of Display products for existing customers.

The CODM uses total segment revenues and segment profit (loss) to assess performance and allocate resources (including employees, financial or capital resources), primarily during the annual strategic long-term planning and budgeting process. The CODM considers changes in market conditions, technology constraints and the competitive environment when making decisions about allocating resources to segments. The CODM does not evaluate segments using discrete asset information because asset allocation is not managed at the segment level and assets are not tracked by segment in a way that is meaningful for decision-making. Segment profit (loss) represents segment income (loss) before income taxes, and excludes interest expense, other expense (income), net, restructuring costs, effects of changes in foreign currency exchange rates, and other corporate expenses.

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

(In thousands)	Semiconductor Process Control	Specialty Semiconductor Process	PCB and Component Inspection	Total
For the three months ended December 31, 2025				
Revenue	\$ 3,004,648	\$ 140,577	\$ 152,175	\$ 3,297,400
Less:				
Cost of revenue	1,085,042	73,688	80,432	
R&D	333,828	16,911	37,001	
SG&A	237,621	11,951	25,266	
Other segment items ⁽¹⁾	9,744	27,281	11,978	
Segment profit (loss)	\$ 1,338,413	\$ 10,746	\$ (2,502)	\$ 1,346,657
For the three months ended December 31, 2024				
Revenue	\$ 2,755,743	\$ 160,407	\$ 161,080	\$ 3,077,230
Less:				
Cost of revenue	992,666	79,285	105,554	
R&D	299,315	11,018	35,319	
SG&A	215,406	13,762	26,397	
Other segment items ⁽¹⁾	10,546	27,283	259,929	
Segment profit (loss)	\$ 1,237,810	\$ 29,059	\$ (266,119)	\$ 1,000,750
For the six months ended December 31, 2025				
Revenue	\$ 5,904,040	\$ 260,332	\$ 341,663	\$ 6,506,035
Less:				
Cost of revenue	2,141,879	135,229	173,615	
R&D	644,844	30,417	69,113	
SG&A	452,664	23,388	50,969	
Other segment items ⁽¹⁾	19,489	54,562	23,977	
Segment profit	\$ 2,645,164	\$ 16,736	\$ 23,989	\$ 2,685,889
For the six months ended December 31, 2024				
Revenue	\$ 5,330,894	\$ 288,741	\$ 299,063	\$ 5,918,698
Less:				
Cost of revenue	1,951,035	143,125	186,000	
R&D	573,770	21,318	71,336	
SG&A	408,828	27,702	54,053	
Other segment items ⁽¹⁾	22,123	54,564	277,764	
Segment profit (loss)	\$ 2,375,138	\$ 42,032	\$ (290,090)	\$ 2,127,080

(1) Other segment items for each reportable segment includes:

- Semiconductor Process Control — amortization of purchased intangible assets and acquisition related expenses.
- Specialty Semiconductor Process — amortization of purchased intangible assets.
- PCB and Component Inspection — amortization of purchased intangible assets for all periods presented and impairment of goodwill and purchased intangible assets for the three and six months ended December 31, 2024.

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

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Total revenues for reportable segments	\$ 3,297,400	\$ 3,077,230	\$ 6,506,035	\$ 5,918,698
Effects of changes in foreign currency exchange rates	(254)	(379)	807	(306)
Total revenues	\$ 3,297,146	\$ 3,076,851	\$ 6,506,842	\$ 5,918,392

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

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Total segment profit	\$ 1,346,657	\$ 1,000,750	\$ 2,685,889	\$ 2,127,080
Unallocated amounts ⁽¹⁾	(15,489)	(2,302)	(13,434)	4,105
Interest expense	69,668	74,981	140,743	157,152
Other expense (income), net	(37,825)	(44,458)	(81,199)	(85,393)
Income before income taxes	\$ 1,330,303	\$ 972,529	\$ 2,639,779	\$ 2,051,216

(1) Unallocated amounts include effects of changes in exchange rates, as well as restructuring costs and other corporate expenses.

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

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

(Dollar amounts in thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2025	2024	2025	2024		
Revenues:						
China	\$ 994,891	30.2 %	\$ 1,092,525	35.5 %	\$ 2,262,047	34.8 %
Taiwan	844,987	25.6 %	881,211	28.6 %	1,638,595	25.2 %
Korea	479,314	14.5 %	357,434	11.6 %	778,687	12.0 %
North America	394,231	12.0 %	286,191	9.3 %	692,138	10.6 %
Japan	229,050	6.9 %	228,614	7.5 %	524,259	8.1 %
Rest of Asia	193,503	5.9 %	96,610	3.1 %	298,970	4.5 %
Europe and Israel	161,170	4.9 %	134,266	4.4 %	312,146	4.8 %
Total	\$ 3,297,146	100.0 %	\$ 3,076,851	100.0 %	\$ 6,506,842	100.0 %

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

(Dollar amounts in thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2025	2024	2025	2024		
Revenues:						
Wafer Inspection	\$ 1,572,782	48 %	\$ 1,562,610	51 %	\$ 3,110,026	48 %
Patterning	696,161	21 %	530,680	17 %	1,363,588	21 %
Specialty Semiconductor Process	121,588	4 %	142,987	5 %	221,807	3 %
PCB and Component Inspection	80,348	2 %	93,327	3 %	197,646	3 %
Services	786,053	24 %	667,389	22 %	1,530,743	24 %
Other	40,214	1 %	79,858	2 %	83,032	1 %
Total	\$ 3,297,146	100 %	\$ 3,076,851	100 %	\$ 6,506,842	100 %

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

In the three months ended December 31, 2025, two customers accounted for approximately 17% and 11% of total revenues each. In the three months ended December 31, 2024, one customer accounted for approximately 23% of total revenues. In the six months ended December 31, 2025, two customers accounted for approximately 16% and 11% of total revenues each. In the six months ended December 31, 2024, one customer accounted for approximately 18% of total revenues. Two customers on an individual basis accounted for greater than 10% of accounts receivable, net, at both December 31, 2025 and June 30, 2025.

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

(In thousands)	As of December 31, 2025	As of June 30, 2025
Land, property and equipment, net:		
United States	\$ 764,869	\$ 728,162
Europe	280,639	253,848
Singapore	165,596	153,052
Rest of Asia	71,257	49,109
Israel	62,407	68,604
Total	\$ 1,344,768	\$ 1,252,775

NOTE 17 – RESTRUCTURING CHARGES

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

Restructuring charges were \$0.3 million and \$2.1 million for the three months ended December 31, 2025 and 2024, respectively. Restructuring charges were \$0.7 million and \$5.0 million for the six months ended December 31, 2025 and 2024, respectively. The charges for fiscal year 2026 and 2025 include severance and related charges for the restructuring of the former PCB and Display operating segment, as a result of exiting the Display business. As of December 31, 2025 and June 30, 2025, the accrual for restructuring charges was \$4.7 million and \$5.9 million, respectively.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Our actual results may differ significantly from those projected in the forward-looking statements in this report. Factors that might cause or contribute to such differences include, but are not limited to:

- Our vulnerability to a weakening in the condition of the financial markets and the global economy;
- Risks related to our international operations;
- Evolving Bureau of Industry and Security ("BIS") of the U.S. Department of Commerce ("Commerce") rules and regulations (the "BIS Rules") and their impact on our ability to sell products to and provide services to certain customers in People's Republic of China ("China");
- Tariffs and other trade restrictions;
- Costly intellectual property ("IP") disputes that could result in our inability to sell or use the challenged technology;
- Risks related to the legal, regulatory and tax environments in which we conduct our business;
- Differing stakeholder expectations, requirements and attention to ESG matters and the resulting costs, risks and impact on our business;
- Unexpected delays, difficulties and expenses in executing against our environmental, climate, or other ESG targets, goals and commitments;
- Our ability to attract, retain and motivate key personnel;
- Our vulnerability to disruptions and delays at our third-party service providers;
- Cybersecurity threats, cyber incidents affecting our and our business partners' systems and networks;
- Our inability to access critical information in a timely manner due to system failures;
- Risks related to acquisitions, integrations, strategic alliances or collaborative arrangements;

- Climate change, earthquake, flood or other natural catastrophic events, public health crises or terrorism and the adverse impact on our business operations;
- The war between Ukraine and Russia, escalation of hostilities in the Middle East, and the significant military activity in those regions;
- Lack of insurance for losses and interruptions caused by terrorists and acts of war, and our self-insurance of certain risks including earthquake risk;
- Risks related to fluctuations in foreign currency exchange rates;
- Risks related to fluctuations in interest rates and the market values of our portfolio investments;
- Risks related to tax and regulatory compliance audits;
- Any change in taxation rules or practices and our effective tax rate;
- Compliance costs with federal securities laws, rules, regulations, NASDAQ requirements, and evolving accounting standards and practices;
- Ongoing changes in the technology industry, and the semiconductor industry in particular, including future growth rates, pricing trends in end-markets, or changes in customer capital spending patterns;
- Our vulnerability to a highly concentrated customer base;
- The cyclical nature of the industries in which we operate;
- Our ability to timely develop new technologies and products that successfully address changes in the industry;
- Risks related to artificial intelligence (“AI”);
- Our ability to maintain our technology advantage and protect proprietary rights;
- Our ability to compete in the industry;
- Availability and cost of the materials and parts used in the production of our products;
- Our ability to operate our business in accordance with our business plan;
- Risks related to our debt and leveraged capital structure;
- We may not be able to declare cash dividends at all or in any particular amount;
- Liability to our customers under indemnification provisions if our products fail to operate properly or contain defects or our customers are sued by third parties due to our products;
- Our government funding for R&D is subject to audit, and potential termination or penalties;
- We may incur significant restructuring charges or other asset impairment charges or inventory write offs;
- We are subject to risks related to receivables factoring arrangements and compliance risk of certain settlement agreements with the government; and
- Risks related to the Court of Chancery of the State of Delaware being the sole and exclusive forum for certain actions and proceedings.

For a more detailed discussion of these and other risk factors that might cause or contribute to differences from the forward-looking statements in this report, see Part II, Item 1A “Risk Factors” in this report as well as Part I, Item 1 “Business”, Part I, Item 1A “Risk Factors” and Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended June 30, 2025. You should carefully review these risks and also review the risks described in documents we file from time to time with the Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, and we expressly assume no obligation and do not intend to update the forward-looking statements in this report after the date hereof.

EXECUTIVE SUMMARY

We are a leading supplier of process control and yield management solutions and services for the semiconductor and related electronics industries. Our broad portfolio of inspection and metrology products, and related service, software and other offerings, support R&D and manufacturing of integrated circuits (“IC”), wafers and reticles. Our products, services and expertise are used by our customers to measure, detect, analyze and resolve critical and nanometric level product defects, helping them to manage manufacturing process challenges and to obtain higher finish product yields at lower cost. We also offer advanced technology solutions to address various manufacturing needs of printed circuit boards (“PCB”), specialty semiconductor devices and other electronic components, including advanced packaging, light-emitting diode (“LED”), power devices, compound semiconductor, and data storage industries, as well as general materials research. In addition, our services business has grown consistently year-over-year and accounted for approximately 24% of our total revenues in the second quarter of fiscal 2026. Our services revenue, which is generated largely from recurring “subscription-like” contracts, increases the value of our contract offerings and extension of system lifetimes resulting from growth in legacy semiconductor markets.

We are organized into three reportable segments as follows:

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

As we close calendar year 2025, the semiconductor industry continues to experience significant market expansion and diversification. High-performance computing and data centers, fueled by widespread adoption of AI, are driving industry growth. We expect this momentum to continue into calendar year 2026. AI is a technology inflection point driving innovation and demand at the leading edge, and we believe our portfolio of products is uniquely positioned to support leading-edge demand and the ongoing AI buildout. Our semiconductor customers generally operate in one or both of the major semiconductor device manufacturing markets: memory and foundry/logic. End-market demand drivers that are expected to continue to benefit KLA in the long term include adoption of extreme ultraviolet lithography (“EUV”) in high volume manufacturing for Logic and DRAM memory (including high-bandwidth memory), which drives new process control requirements and growth in key markets for KLA. Demand for advanced semiconductor technologies, particularly evident in the 2-nanometer node, which is seeing higher levels of investment and process control intensity, continues to drive investments in AI. Increasing complexity and value of semiconductor packages, particularly for AI and high-performance computing applications, is also driving significant growth in our advanced packaging business. The digitization of all industries, including 5G markets, advances in healthcare and industrial applications, together with the increasing adoption of electric vehicles and intelligence in automobiles, are powering leading-edge design node technology investments and capacity expansions.

While we continue to invest in technological innovation, factors such as delays from customers in adopting new chips and technology methods could impact process control capital intensity. Pushouts or cancellations of deliveries to our customers could cause earnings volatility, due to the timing of revenue recognition as well as increased risk of inventory-related charges. Geopolitical factors, such as government regulations and tariffs, have had an adverse impact on our results of operations. However, despite these headwinds, our gross margin and overall financial performance improved in the three months ended December 31, 2025 compared to the three months ended December 31, 2024. Looking ahead to calendar year 2026, while we expect continued revenue growth, escalating costs for DRAM chips used in the Company’s image computers is likely to negatively impact our gross margin.

We are continuously assessing the aggregate potential impact of government regulations and tariffs on our financial results and operations. See Part II, Item 1A “Risk Factors” below, and also Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended June 30, 2025 for more information regarding how such actions by the U.S. government or another country could significantly impact our ability to provide our products and services to existing and potential customers, especially in China, and adversely affect our business, financial condition and results of operations.

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

(Dollar amounts in thousands, except net income per share)	Three Months Ended				
	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024
Total revenues	\$ 3,297,146	\$ 3,209,696	\$ 3,174,741	\$ 3,063,029	\$ 3,076,851
Costs of revenues	\$ 1,271,210	\$ 1,243,070	\$ 1,207,286	\$ 1,175,689	\$ 1,221,461
Gross margin	61.4%	61.3%	62.0%	61.6%	60.3%
Net income ⁽¹⁾⁽²⁾	\$ 1,145,682	\$ 1,121,040	\$ 1,202,849	\$ 1,088,416	\$ 824,527
Diluted net income per share ⁽³⁾	\$ 8.68	\$ 8.47	\$ 9.06	\$ 8.16	\$ 6.16

(1) For the explanation why our net income increased to \$1.15 billion in the three months ended December 31, 2025 compared to the three months ended December 31, 2024, refer to the “Results of Operations” section below, as the change is a result of movements in various income statement line items.

- (2) Our net income for the three months ended December 31, 2024 included pre-tax goodwill and purchased intangible assets impairment charges of \$239.1 million. For additional details, refer to Note 6 “Goodwill and Purchased Intangible Assets” in the Notes to the Consolidated Financial Statements and Note 7 “Goodwill and Purchased Intangible Assets” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025.
- (3) Diluted net income per share is computed independently for each of the quarters presented based on the weighted-average fully diluted shares outstanding for each quarter. Therefore, the sum of quarterly diluted net income per share information may not equal annual (or other multiple-quarter calculations of) diluted net income per share.

We continue to focus on returning cash to our investors, making \$547.8 million in share repurchases and paying \$249.7 million in dividends in the three months ended December 31, 2025. We increased the dividend in the fourth quarter of fiscal 2025 to \$1.90 per share per quarter, which was our 16th consecutive annual dividend increase. Refer to the “Liquidity and Capital Resources” section below for more information on our strong cash flow generation and strategy of returning excess cash to our stockholders.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in applying our accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical experience and evaluate them on an ongoing basis to ensure that they remain reasonable under current conditions. Actual results could differ from those estimates.

There have been no material changes in our critical accounting estimates since our Annual Report on Form 10-K for the fiscal year ended June 30, 2025. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended June 30, 2025 for a complete description of our critical accounting estimates.

Recent Accounting Pronouncements

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

RESULTS OF OPERATIONS

Revenues and Gross Margin

Our business is affected by the concentration of our customer base and our customers' capital equipment procurement schedules as a result of their investment plans. Our product revenues in any particular period are impacted by the amount of new orders we receive during that period and, depending upon the duration of manufacturing and installation cycles, in the preceding periods. Revenue is also impacted by average customer pricing, customer revenue deferrals associated with volume purchase agreements, the effect of fluctuations in foreign currency exchange rates, increased trade restrictions and the availability of government incentives for semiconductor capital investments. Service revenues are generated from product maintenance and support services, as well as billable time and material service calls made to our customers. The amount of our service revenues is typically a function of the number of systems installed at our customers' sites and the utilization of those systems, but it is also impacted by other factors, such as our rate of service contract renewals, the types of systems being serviced and fluctuations in foreign currency exchange rates. A significant portion of our revenues continues to be generated in Asia, where a substantial portion of the world's semiconductor manufacturing capacity is located, and we expect that trend to continue.

(Dollar amounts in thousands)	Three Months Ended December 31,		Q2 FY26 vs. Q2 FY25	
	2025	2024		
Revenues:				
Product	\$ 2,511,093	\$ 2,409,462	\$ 101,631	4 %
Service	\$ 786,053	\$ 667,389	\$ 118,664	18 %
Total revenues	\$ 3,297,146	\$ 3,076,851	\$ 220,295	7 %
Costs of revenues	\$ 1,271,210	\$ 1,221,461	\$ 49,749	4 %
Gross margin	61.4%	60.3%		

(Dollar amounts in thousands)	Six Months Ended December 31,		Q2 FY26 YTD vs. Q2 FY25 YTD	
	2025	2024		
Revenues:				
Product	\$ 4,976,099	\$ 4,606,851	\$ 369,248	8 %
Service	\$ 1,530,743	\$ 1,311,541	\$ 219,202	17 %
Total revenues	\$ 6,506,842	\$ 5,918,392	\$ 588,450	10 %
Costs of revenues	\$ 2,514,280	\$ 2,368,892	\$ 145,388	6 %
Gross margin	61.4 %	60.0 %		

Total revenues increased 7% in the three months ended December 31, 2025 compared to the three months ended December 31, 2024, primarily due to an 18% increase in service revenues attributable to growth in our installed base of tools, and a 4% increase in product revenues from higher investments from our memory customers, particularly in DRAM led by high-bandwidth memory, and strong customer adoption of our advanced packaging portfolio of products. The increase in revenues was partially offset by lower shipments to foundry/logic customers driven by the timing of fab readiness.

Total revenues increased by 10% in the six months ended December 31, 2025 compared to the six months ended December 31, 2024, primarily due to the increase in our product revenues, and is attributable to higher investments by our memory customers and strong customer adoption of our advanced packaging portfolio of products. An increase in service revenues of 17%, as a result of continued growth of our installed base of tools, also contributed to higher total revenues compared to the same period in the prior year.

Revenues by segment⁽¹⁾

(Dollar amounts in thousands)	Three Months Ended December 31,		Q2 FY26 vs. Q2 FY25	
	2025	2024		
Revenues:				
Semiconductor Process Control	\$ 3,004,648	\$ 2,755,743	\$ 248,905	9 %
Specialty Semiconductor Process	\$ 140,577	\$ 160,407	(\$19,830)	(12)%
PCB and Component Inspection	\$ 152,175	\$ 161,080	(\$8,905)	(6)%
Total revenues for reportable segments	\$ 3,297,400	\$ 3,077,230	\$ 220,170	7 %

(Dollar amounts in thousands)	Six Months Ended December 31,		Q2 FY26 YTD vs. Q2 FY25 YTD	
	2025	2024		
Revenues:				
Semiconductor Process Control	\$ 5,904,040	\$ 5,330,894	\$ 573,146	11 %
Specialty Semiconductor Process	260,332	288,741	(28,409)	(10)%
PCB and Component Inspection	341,663	299,063	42,600	14 %
Total revenues for reportable segments	<u>\$ 6,506,035</u>	<u>\$ 5,918,698</u>	<u>\$ 587,337</u>	<u>10 %</u>

(1) Segment revenues exclude corporate allocations and the effects of changes in foreign currency exchange rates. For additional details, refer to Note 16 "Segment Reporting and Geographic Information" to our Condensed Consolidated Financial Statements.

Revenues from our Semiconductor Process Control segment for the three and six months ended December 31, 2025 increased by 9% and 11%, respectively, compared to the same period in the prior year, primarily due to increased revenue from our memory customers, particularly related to DRAM, higher revenue from advanced packaging, along with higher service revenues from an increasing number of tools in our installed base.

Revenues from our Specialty Semiconductor Process segment for the three and six months ended December 31, 2025 decreased by 12% and 10%, respectively, compared to the same period in the prior year, primarily due to lower volume of products sold, particularly to customers in China, partially offset by higher service revenues from an increasing number of tools in our installed base.

Revenues from our PCB and Component Inspection segment decreased by 6% during the three months ended December 31, 2025 compared to the same period in the prior year, primarily due to revenues from our Display business being included in the prior year results, a business which has since been exited. The decrease was partially offset by increased revenues from advanced packaging and higher service revenues from growth in our installed base of tools. Revenues in this segment increased by 14% during the six months ended December 31, 2025 compared to the same period in the prior year, due to increased revenue from advanced packaging and higher service revenues from growth in our installed base, partially offset by the exit of the Display business as noted previously.

Below is supplementary revenue information by major product categories for the indicated periods:

(Dollar amounts in thousands)	Three Months Ended December 31,		Q2 FY26 vs. Q2 FY25	
	2025	2024		
Revenues:				
Wafer Inspection	\$ 1,572,782	48 %	\$ 1,562,610	51 %
Patterning	696,161	21 %	530,680	17 %
Specialty Semiconductor Process	121,588	4 %	142,987	5 %
PCB and Component Inspection	80,348	2 %	93,327	3 %
Services	786,053	24 %	667,389	22 %
Other	40,214	1 %	79,858	2 %
Total	<u>\$ 3,297,146</u>	<u>100 %</u>	<u>\$ 3,076,851</u>	<u>100 %</u>

(Dollar amounts in thousands)	Six Months Ended December 31,		Q2 FY26 YTD vs. Q2 FY25 YTD	
	2025	2024		
Revenues:				
Wafer Inspection	\$ 3,110,026	48 %	\$ 2,931,553	50 %
Patterning	1,363,588	21 %	1,107,089	19 %
Specialty Semiconductor Process	221,807	3 %	255,789	4 %
PCB and Component Inspection	197,646	3 %	166,235	3 %
Services	1,530,743	24 %	1,311,541	22 %
Other	83,032	1 %	146,185	2 %
Total	<u>\$ 6,506,842</u>	<u>100 %</u>	<u>\$ 5,918,392</u>	<u>100 %</u>

Revenues by region

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

(Dollar amounts in thousands)	Three Months Ended December 31,			Q2 FY26 vs. Q2 FY25	
	2025	2024		2024	2025
Revenues:					
China	\$ 994,891	30.2 %	\$ 1,092,525	35.5 %	\$ (97,634) (9)%
Taiwan	844,987	25.6 %	881,211	28.6 %	(36,224) (4)%
Korea	479,314	14.5 %	357,434	11.6 %	121,880 34 %
North America	394,231	12.0 %	286,191	9.3 %	108,040 38 %
Japan	229,050	6.9 %	228,614	7.5 %	436 — %
Rest of Asia	193,503	5.9 %	96,610	3.1 %	96,893 100 %
Europe and Israel	161,170	4.9 %	134,266	4.4 %	26,904 20 %
Total	\$ 3,297,146	100.0 %	\$ 3,076,851	100.0 %	\$ 220,295 7 %

(Dollar amounts in thousands)	Six Months Ended December 31,			Q2 FY26 YTD vs. Q2 FY25 YTD	
	2025	2024		2024	2025
Revenues:					
China	\$ 2,262,047	34.8 %	\$ 2,290,829	38.7 %	\$ (28,782) (1)%
Taiwan	1,638,595	25.2 %	1,343,202	22.7 %	295,393 22 %
Korea	778,687	12.0 %	596,108	10.1 %	182,579 31 %
North America	692,138	10.6 %	787,134	13.3 %	(94,996) (12)%
Japan	524,259	8.1 %	417,183	7.0 %	107,076 26 %
Europe and Israel	312,146	4.8 %	279,086	4.7 %	33,060 12 %
Rest of Asia	298,970	4.5 %	204,850	3.5 %	94,120 46 %
Total	\$ 6,506,842	100.0 %	\$ 5,918,392	100.0 %	\$ 588,450 10 %

Revenues from our customers in China decreased 9% and 1% in the three and six months ended December 31, 2025, respectively, compared to the same period in the prior year, primarily due to the effects of U.S. export controls and regulations, partially offset by continued legacy node demand.

Revenues from our customers in Taiwan decreased 4% in the three months ended December 31, 2025 compared to the same period in the prior year, primarily due to the timing of shipments. Overall revenues from customers in Taiwan increased by 22% in the six months ended December 31, 2025, compared to the same period in the prior year, primarily due to increased investments in process control to meet leading-edge demand driven by innovation and growth of AI.

Revenues from our customers in Korea increased 34% and 31% in the three and six months ended December 31, 2025, respectively, compared to the same period in the prior year, primarily due to increased investments from our memory customers. Revenues from our customers in North America increased 38% in the three months ended December 31, 2025 compared to the same period in the prior year, primarily due to increased investments from memory and legacy node customers. Overall revenues from customers in North America decreased 12% in the six months ended December 31, 2025, compared to the same period in the prior year, primarily due to lower shipments to foundry/logic customers partially offset by increased investments from memory customers. The remaining regions accounted for less than 10% of total revenues individually in the periods presented.

Gross margin

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

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

	Gross Margin	
	Three Months Ended	Six Months Ended
December 31, 2024		
Revenue volume of products and services	60.3%	60.0%
Mix of products and services sold	0.1%	0.4%
Manufacturing labor, overhead and efficiencies	0.4%	1.1%
Other service and manufacturing costs	0.2%	0.1%
	0.4%	(0.2)%
December 31, 2025	61.4%	61.4%

Changes in gross margin from revenue volume of products and services reflect our ability to leverage existing infrastructure to generate higher revenues. Changes in gross margin from the mix of products and services sold reflect the impact of changes within the composition of product and service offerings. Changes in gross margin from manufacturing labor, overhead and efficiencies reflect our ability to manage costs and drive productivity as we scale our manufacturing activity to respond to customer requirements and amortization of intangible assets. Changes in gross margin from other service and manufacturing costs include the impact of tariffs, customer support costs, including the efficiencies with which we deliver services to our customers, and the effectiveness with which we manage our production plans and inventory risk. Other service and manufacturing costs included lower inventory-related charges partially offset by the impact of tariffs during the three months ended December 31, 2025, compared to the same period in the prior year. Other service and manufacturing costs reflect the impact of tariffs which was partially offset by lower inventory-related charges during the six months ended December 31, 2025, compared to the same period in the prior year.

Research and Development

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

<u>(Dollar amounts in thousands)</u>	Three Months Ended December 31,		Q2 FY26	
	2025	2024	vs. Q2 FY25	
R&D expenses	\$ 383,871	\$ 346,157	\$ 37,714	11 %
R&D expenses as a percentage of total revenues	12 %	11 %		

R&D expenses during the three months ended December 31, 2025 increased compared to the three months ended December 31, 2024 primarily due to increases in employee-related expenses of \$26.3 million as a result of additional headcount and higher employee compensation and benefit costs and engineering project material costs of \$12.9 million.

<u>(Dollar amounts in thousands)</u>	Six Months Ended December 31,		Q2 FY26 YTD	
	2025	2024	vs. Q2 FY25 YTD	
R&D expenses	\$ 744,332	\$ 669,302	\$ 75,030	11 %
R&D expenses as a percentage of total revenues	11 %	11 %		

R&D expenses during the six months ended December 31, 2025 increased compared to the six months ended December 31, 2024 primarily due to increases in employee-related expenses of \$51.9 million as a result of additional headcount and higher employee compensation and benefit costs and engineering project material costs of \$24.6 million.

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

Selling, General and Administrative

<u>(Dollar amounts in thousands)</u>	Three Months Ended December 31,		Q2 FY26	
	2025	2024	vs. Q2 FY25	
SG&A expenses	\$ 279,919	\$ 267,081	\$ 12,838	5 %
SG&A expenses as a percentage of total revenues	8 %	9 %		

SG&A expenses during the three months ended December 31, 2025 increased compared to the three months ended December 31, 2024 primarily due to increases in facilities-related expense of \$7.2 million and supplies and materials expense of \$6.9 million.

(Dollar amounts in thousands)	Six Months Ended December 31,		Q2 FY26 vs. Q2 FY25
	2025	2024	
SG&A expenses	\$ 548,907	\$ 518,123	\$ 30,784
SG&A expenses as a percentage of total revenues	8 %	9 %	6 %

SG&A expenses during the six months ended December 31, 2025 increased compared to the six months ended December 31, 2024 primarily due to increases in supplies and materials expense of \$14.3 million and facilities-related expense of \$13.6 million.

Restructuring Charges

Restructuring charges were \$0.3 million and \$2.1 million for the three months ended December 31, 2025 and 2024, respectively. Restructuring charges were \$0.7 million and \$5.0 million for the six months ended December 31, 2025 and 2024, respectively. For additional information, refer to Note 17 "Restructuring Charges" to our Condensed Consolidated Financial Statements.

Interest Expense and Other Expense (Income), Net

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

(Dollar amounts in thousands)	Three Months Ended December 31,		Q2 FY26 vs. Q2 FY25
	2025	2024	
Interest expense	\$ 69,668	\$ 74,981	\$ (5,313)
Other expense (income), net	\$ (37,825)	\$ (44,458)	\$ 6,633
Interest expense as a percentage of total revenues	2 %	2 %	(7) %
Other expense (income), net as a percentage of total revenues	(1)	(1)	15 %

Interest expense during the three months ended December 31, 2025 decreased compared to the three months ended December 31, 2024 primarily due to reduced interest expense following our \$750.0 million debt repayment in the second quarter of fiscal 2025.

The change in other expense (income), net during the three months ended December 31, 2025 compared to the three months ended December 31, 2024 was primarily due to a net fair value loss of \$5.6 million from an equity security and unfavorable foreign exchange fluctuations of \$5.3 million, partially offset by higher interest income of \$1.9 million.

(Dollar amounts in thousands)	Six Months Ended December 31,		Q2 FY26 YTD vs. Q2 FY25 YTD
	2025	2024	
Interest expense	\$ 140,743	\$ 157,152	\$ (16,409)
Other expense (income), net	\$ (81,199)	\$ (85,393)	\$ 4,194
Interest expense as a percentage of total revenues	2 %	3 %	(10) %
Other expense (income), net as a percentage of total revenues	(1)%	(1)%	5 %

Interest expense during the six months ended December 31, 2025 decreased compared to the six months ended December 31, 2024 primarily due to reduced interest expense following our \$750.0 million debt repayment in the second quarter of fiscal 2025.

The change in other expense (income), net during the six months ended December 31, 2025 compared to the six months ended December 31, 2024 was primarily due to lower interest income of \$8.4 million, partially offset by a net fair value gain of \$3.2 million from an equity security and favorable foreign exchange fluctuations of \$1.0 million.

Provision for Income Taxes

The following table provides details of income taxes:

<u>(Dollar amounts in thousands)</u>	Three Months Ended December 31,		Six Months Ended December 31,	
	2025	2024	2025	2024
Income before income taxes	\$ 1,330,303	\$ 972,529	\$ 2,639,779	\$ 2,051,216
Provision for income taxes	\$ 184,621	\$ 148,002	\$ 373,057	\$ 280,838
Effective tax rate	13.9 %	15.2 %	14.1 %	13.7 %

The effective tax rate during the three months ended December 31, 2025 was lower compared to the three months ended December 31, 2024, primarily due to a \$230.4 million goodwill impairment charge during the three months ended December 31, 2024 which is non-deductible for income tax. Excluding the goodwill impairment charge, tax expense as a percentage of income taxes during the three months ended December 31, 2025 was higher compared to the three months ended December 31, 2024 primarily due to a decrease in the proportion of earnings generated in jurisdictions with tax rates lower than the U.S. statutory rates.

Excluding the goodwill impairment charge during the six months ended December 31, 2024, the effective tax rate during the six months ended December 31, 2025 was higher compared to the six months ended December 31, 2024 primarily due to a decrease in the proportion of earnings generated in jurisdictions with tax rates lower than the U.S. statutory rates and a decrease in the proportion of U.S. earnings eligible for the Foreign Derived Intangible Income deduction, partially offset by a decrease in our Global Intangible Low-Taxed Income.

Our future effective income tax rate depends on various factors, such as tax legislation, the geographic composition of our pre-tax income, the amount of our pre-tax income as business activities fluctuate, non-deductible expenses incurred in connection with acquisitions, R&D credits as a percentage of aggregate pre-tax income, non-taxable or non-deductible increases or decreases in the assets held within our Executive Deferred Savings Plan, the tax effects of employee stock activity and the effectiveness of our tax planning strategies. We also continue to monitor the adoption of Pillar Two relating to the global minimum tax in each of our tax jurisdictions to evaluate its impact on our effective income tax rate. For some of the jurisdictions that have adopted Pillar Two in their tax legislation, it was effective for us beginning in our fiscal year ended June 30, 2025.

For discussions on tax examinations, assessments and certain related proceedings, see Note 12 "Income Taxes" to our Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

<u>(Dollar amounts in thousands)</u>	As of	
	December 31, 2025	June 30, 2025
Cash and cash equivalents	\$ 2,452,124	\$ 2,078,908
Marketable securities	2,755,340	2,415,715
Total cash, cash equivalents and marketable securities	\$ 5,207,464	\$ 4,494,623
Percentage of total assets	31 %	28 %
 <u>(In thousands)</u>		
Cash flows:		
Net cash provided by operating activities	\$ 2,529,198	\$ 1,844,753
Net cash provided by (used in) investing activities	(522,670)	442,667
Net cash used in financing activities	(1,629,378)	(2,420,675)
Effect of exchange rate changes on cash and cash equivalents	(3,934)	(5,596)
Net increase (decrease) in cash and cash equivalents	\$ 373,216	\$ (138,851)

Cash, Cash Equivalents and Marketable Securities

As of December 31, 2025, our cash, cash equivalents and marketable securities totaled \$5.21 billion, compared to the \$4.49 billion balance as of June 30, 2025. Refer to below discussions of sources and uses of cash during the six months ended December 31, 2025. As of December 31, 2025, \$1.25 billion of our \$5.21 billion of cash, cash equivalents and marketable securities were held by our foreign subsidiaries and branch offices. We have recorded appropriate provisions for income or withholding taxes that may result from future repatriations of this balance.

Cash Flows Provided by Operating Activities

We typically finance our liquidity requirements through cash generated from our operations. Net cash provided by operating activities during the six months ended December 31, 2025 was \$2.53 billion compared to \$1.84 billion during the six months ended December 31, 2024. This increase was primarily due to an increase in customer and other collections of approximately \$1.2 billion primarily driven by higher shipments and a decrease in income tax payments of \$55 million; partially offset by increases in accounts payable payments of approximately \$460 million and employee-related payments of approximately \$100 million.

Cash Flows Used in Investing Activities

Net cash used in investing activities during the six months ended December 31, 2025 was \$522.7 million compared to \$442.7 million of net cash provided during the six months ended December 31, 2024. This increase in cash used was primarily due to increases in net purchases of available-for-sale securities of \$931.8 million, and capital expenditures of \$48.7 million, partially offset by a \$16.8 million increase in proceeds from capital-related government assistance.

Cash Flows Used in Financing Activities

Net cash used in financing activities during the six months ended December 31, 2025 was \$1.63 billion compared to \$2.42 billion during the six months ended December 31, 2024. This decrease in cash used was primarily due to a \$750.0 million debt repayment during the six months ended December 31, 2024 and a decrease in common stock repurchases of \$124.7 million, partially offset by increases in payment of dividends and dividend equivalents of \$78.8 million and tax withholding payments related to vested and released restricted stock units (“RSU”) of \$11.0 million.

Stock Repurchases

The shares of common stock repurchased under our stock repurchase program have reduced our basic and diluted weighted-average shares outstanding for the six months ended December 31, 2025 and 2024. The total amount of stock repurchases during the six months ended December 31, 2025 and 2024 were \$1.09 billion and \$1.22 billion, respectively. The stock repurchase program is intended, in part, to mitigate the potential dilutive impact related to our equity incentive plans and shares issued in connection with our Employee Stock Purchase Program as well as to return excess cash to our stockholders. As of December 31, 2025, an aggregate of \$3.94 billion was available for repurchase under our stock repurchase program, which reflects an increase in the authorized repurchase amount of \$5.00 billion in the fourth quarter of fiscal 2025.

Cash Dividends

During the three months ended December 31, 2025, our Board of Directors declared a regular quarterly cash dividend of \$1.90 per share on our outstanding common stock, which was paid on December 2, 2025 to our stockholders of record as of the close of business on November 17, 2025. During the same period in fiscal year ended June 30, 2025, our Board of Directors declared and paid a regular quarterly cash dividend of \$1.70 per share on our outstanding common stock. The total amount of regular quarterly cash dividends and dividend equivalents paid during the three months ended December 31, 2025 and 2024 was \$249.7 million and \$226.8 million, respectively. The total amount of regular quarterly cash dividends and dividend equivalents paid during the six months ended December 31, 2025 and 2024 was \$503.7 million and \$424.9 million, respectively. The amount of accrued dividend equivalents payable for regular quarterly cash dividends on unvested RSUs with dividend equivalent rights as of December 31, 2025 and June 30, 2025 was \$13.7 million and \$13.3 million, respectively. These amounts will be paid upon vesting of the underlying unvested RSUs as described in Note 9 “Equity and Long-term Incentive Compensation Plans” to our Condensed Consolidated Financial Statements.

Senior Notes

As of December 31, 2025, we had an aggregate principal amount of senior, unsecured notes totaling \$5.95 billion (collectively, “Senior Notes”) with due dates ranging from fiscal 2029 through fiscal 2063. For additional information on these Senior Notes, see Note 7 “Debt” to our Condensed Consolidated Financial Statements. As of December 31, 2025, we were in compliance with all of our covenants under the Indenture associated with the Senior Notes.

Revolving Credit Facility

We have in place a Credit Agreement (“Credit Agreement”) for an unsecured Revolving Credit Facility (“Revolving Credit Facility”) with a maturity date of July 3, 2030 that allows us to borrow up to \$1.50 billion. Subject to the terms of the Credit Agreement, the Revolving Credit Facility may be increased by an amount up to \$500.0 million in the aggregate. As of December 31, 2025, we had no outstanding borrowings under the Revolving Credit Facility. We were in compliance with all covenants under the Credit Agreement as of December 31, 2025 (the net leverage ratio was 0.56 to 1.00, compared to a maximum net leverage ratio of 3.25 to 1.00 on a quarterly basis covering the trailing four consecutive fiscal quarters for each fiscal quarter). Considering our current liquidity position, short-term financial forecasts and ability to prepay the Revolving Credit Facility, if necessary, we expect to continue to be in compliance with our financial covenants at the end of our fiscal year ending June 30, 2026.

For additional information on the Revolving Credit Facility, see Note 7 “Debt” to our Condensed Consolidated Financial Statements.

Material Cash Requirements

For details regarding our debt and other material cash commitments, refer to Note 7 “Debt” and Note 14 “Commitments and Contingencies,” respectively, to our Condensed Consolidated Financial Statements. For additional details regarding our material cash requirements, refer to “Material Cash Requirements” in the “Liquidity and Capital Resources” section of Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report Form on 10-K for the fiscal year ended June 30, 2025.

Off-Balance Sheet Arrangements

As of December 31, 2025, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial position, changes in financial condition, revenues and expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. Refer to Note 14 “Commitments and Contingencies” to our Condensed Consolidated Financial Statements for information related to indemnification obligations.

Working Capital

Working capital was \$7.28 billion as of December 31, 2025, which represents an increase of \$668.3 million compared to our working capital of \$6.61 billion as of June 30, 2025. As of December 31, 2025, our principal sources of liquidity consisted of \$5.21 billion of cash, cash equivalents and marketable securities, as well as \$1.50 billion availability under our Revolving Credit Facility. Our liquidity may be affected by many factors, some of which are based on the normal ongoing operations of the business, spending for business acquisitions, and other factors such as uncertainty in the global and regional economies and the semiconductor, semiconductor-related and electronic device industries. Although cash requirements will fluctuate based on the timing and extent of these factors, we believe that cash generated from operations, together with the liquidity provided by existing cash and cash equivalents balances, marketable securities and our Revolving Credit Facility, will be sufficient to satisfy our liquidity requirements associated with working capital needs, capital expenditures, cash dividends, stock repurchases and other contractual obligations for at least the next 12 months.

Credit Ratings

Our credit ratings as of December 31, 2025 are summarized below:

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

Factors that can affect our credit ratings include changes in our operating performance, the economic environment, conditions in the semiconductor and semiconductor capital equipment industries, our financial position, material acquisitions and changes in our business strategy.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our interest rate risk, marketable equity security risk or foreign currency risk since our Annual Report on Form 10-K for the fiscal year ended June 30, 2025. Refer to “Quantitative and Qualitative

Disclosures About Market Risk" contained in Part II, Item 7A of our Annual Report on Form 10-K for our fiscal year ended June 30, 2025 for a complete description of our market risk.

ITEM 4 CONTROLS AND PROCEDURES

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

Evaluation of Disclosure Controls and Procedures

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

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

Definition of Disclosure Controls

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

Limitations on the Effectiveness of Disclosure Controls

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

Changes in Internal Control over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth above under Note 13 “Litigation and Other Legal Matters” to our Condensed Consolidated Financial Statements in Item 1 of Part 1 is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Other than the risk factors listed below, there have been no material changes in our risk factors since our Annual Report on Form 10-K for the fiscal year ended June 30, 2025. Refer to “Risk Factors” contained in Part I Item 1A of our Annual Report on Form 10-K for our fiscal year ended June 30, 2025 for a complete description of our risk factors. Any of these risks, as well as risks unknown to us or that we believe are currently immaterial, could have a material adverse impact on our business, financial condition or results of operations.

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

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

In October 2022, Commerce published the 2022 BIS Rules (the “2022 BIS Rules”) that introduced restrictions related to semiconductor, semiconductor manufacturing, supercomputer, and advanced computing items and end uses. These rules impose restrictions on our ability to sell, ship and support certain equipment and otherwise conduct business with certain counterparties, primarily including China-based companies involved in advanced semiconductor manufacturing. Further, the 2022 BIS Rules impose restrictions on the activities of U.S. persons with respect to certain items that are not subject to the Export Administration Regulations (“EAR”), which departs from Commerce’s typical practice of controlling items that are subject to the EAR, and could further restrict our ability to conduct business in China. In October 2023, Commerce issued the 2023 BIS Rules (the “2023 BIS Rules”) designed to update export controls on advanced computing semiconductors and semiconductor manufacturing equipment, as well as items that support supercomputing applications and end-uses, to certain D1, D4 and/or D5 countries in Supplement No. 1 of Part 740 of the U.S. EAR, including China. The 2023 BIS Rules adjust the parameters included in the 2022 BIS Rules that determine whether an advanced computing chip is restricted and impose new measures to address risks of circumvention of the controls established by the 2022 BIS Rules.

In December 2024 and January 2025, Commerce again issued incremental 2024 BIS Rules and 2025 BIS Rules, adding even more companies to the U.S. Entity List and revising the definition of advanced DRAM, further restricting our ability to provide certain items and services to facilities in China producing advanced DRAM ICs.

In September 2025, Commerce released an interim final rule that further expands export control restrictions and licensing requirements for foreign entities 50% or more directly or indirectly owned by one or more listed parties on the U.S. Entity List, Military End-User List, and certain entities on the Specially Designated Nationals and Block Persons List, which Commerce has labeled the “Affiliates Rule.” The new rule increases compliance requirements with the EAR by imposing on exporters, re-exporters, and transferors of items subject to the EAR a responsibility to know the ownership of the parties to a transaction. In November 2025, the BIS suspended the Affiliates Rule for one year until November 2026.

Commerce may continue to add China-based entities to the U.S. Entity List and impose other end use or end user export restrictions, which could disrupt or prevent our product shipment, and further disrupt our revenue recognition, business operations and our ability to support our customers in China.

These rules and regulations may significantly harm our business unless we are able to obtain required licenses. We will continue to apply for export licenses, when required, in an effort to avoid disruption to our and our customers’ operations, but

there can be no assurance that export licenses applied for by either us or our customers, now or in the future, will be granted. To the extent Commerce does issue licenses to us or to our customers, such licenses may have a short duration or require us to satisfy various conditions. If pending and future export license applications are not granted, or additional restrictions are imposed, or if regulators adopt new interpretations of existing regulations, the potential impact on us could be material by disrupting our supply chain and product shipment, impairing our ability to complete product development in a timely manner, or our ability to support existing customers of covered products or supply customers of covered products outside the impacted regions, and requiring us to transition certain operations out of one or more of the identified countries. Failure to obtain export licenses has harmed and could continue to harm our backlog, requiring us to return substantial deposits received from customers in China for purchase orders, and/or further limiting our ability to meet our contractual obligations and sell our products or provide services to our customers in China. In addition, the U.S. export restrictions on semiconductors and semiconductor technology to China and Chinese customers may reduce the need for our products and make it easier for our China-based competitors to develop and sell their own products and take market share from us.

We may lose revenue in future periods related to anticipated sales to customers in China unless we are able to replace their orders with other customer orders for which either an export license has been obtained or is not required. Our revenue from sales of products and provision of services to customers in China was 33%, 43% and 27% for fiscal years 2025, 2024 and 2023, respectively, and future revenue from China as a percentage of our overall revenue may decline as a result of the current and future Commerce rules and regulations.

Additionally, the Chinese government has adopted, and may further adopt, new regulations, in response to U.S. government actions, which could adversely affect our ability to do business in China.

We have faced delays and could face additional delays or denials in the export of our tools by regulatory agencies for national security or other regulatory concerns in the countries in which we do business, which could negatively affect our results of operations and timing of revenue recognition. We have controls and procedures designed to maintain compliance with U.S. and other applicable export control laws and regulations; however, we cannot guarantee that such controls and procedures will be successful in preventing violations or allegations of violations, of increasingly complex and often conflicting regulations worldwide. The complexity and evolving nature of the rules and regulations, and the fact that Commerce or other relevant regulators might adopt interpretations of regulations that differ from those of the Company, increase our risk of non-compliance.

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

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

We earn profits in, and are therefore potentially subject to taxes in, the U.S. and numerous foreign jurisdictions, including Singapore and Israel, the countries in which we earn the majority of our non-U.S. profits. Due to economic, political or other conditions, tax rates in those jurisdictions may be subject to significant change. A number of factors may adversely impact our future effective tax rates, such as the jurisdictions in which our profits are determined to be earned and taxed; changes in the tax rates imposed by those jurisdictions; expiration of tax holidays in certain jurisdictions that are not renewed; the resolution of issues arising from tax audits with various tax authorities; changes in the valuation of our deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions; changes in available tax credits; changes in stock-based compensation expense; changes in tax laws or the interpretation of such tax laws; changes in generally accepted accounting principles; and the repatriation of earnings from outside the U.S. for which we have not previously provided for U.S. taxes. A change in our effective tax rate can materially and adversely impact our results from operations.

In addition, changes to U.S. tax laws will significantly impact how U.S. multinational corporations are taxed on U.S. and foreign earnings. On July 4, 2025, the enactment of the One Big Beautiful Bill Act (“OBBA”) provides for several permanent changes to the U.S. tax code including, among other items, modifying the Global Intangible Low-Taxed Income (“GILTI”) and Foreign-Derived Intangible Income (“FDII”) rules that were included in the Tax Cuts and Jobs Act, which was enacted into law on December 22, 2017.

The OBBBA renames GILTI to Net Controlled Foreign Corporation (“CFC”) Tested Income (“NCTI”) and modifies the percentage of foreign earnings under the GILTI regime that is taxable in the U.S. from 50% to 40% for tax years beginning after December 31, 2025. It also renames FDII to Foreign-Derived Deduction Eligible Income (“FDDEI”) and modifies the percentage of U.S. earnings under the FDII regime that is not subject to tax in the U.S. from 37.5% to 33.34% for tax years beginning after December 31, 2025. The net impact of the changes provided by the OBBBA and interpretations of such law may have a material and adverse impact to our effective tax rate.

On August 16, 2022, the enactment of the Inflation Reduction Act (“IRA”) introduced a corporate alternative minimum tax (“CAMT”) that was effective for us beginning in the quarter ended September 30, 2023. The CAMT applies a 15% minimum income tax rate on certain large corporations. Although we were not subject to the CAMT in our fiscal year ended June 30, 2025, the enactment of the OBBBA and interpretations of such law may result in our subjection to CAMT liability in future periods, which can have a material and adverse impact to our future effective tax rate.

Numerous countries are evaluating their existing tax laws due, in part, to recommendations made by the Organization for Economic Co-operation and Development’s (“OECD”) Base Erosion and Profit Shifting (“BEPS”) project. The OECD continues to advance its work under the BEPS 2.0 initiative to develop the framework for Pillar Two, which aims to implement a global minimum tax of 15%. Many countries have enacted or drafted legislation using the Pillar Two framework to propose domestic tax laws requiring a minimum tax rate of 15% (“top-up tax”) on income earned in the respective countries. The tax liability from top-up tax may have a material and adverse impact to our effective tax rate.

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

We use a wide range of materials in the production of our products, including custom electronic and mechanical components, and we use numerous suppliers to supply these materials. Generally, we do not have guaranteed supply arrangements with our suppliers. Because of the variability and uniqueness of customers’ orders, we do not maintain an extensive inventory of materials for manufacturing. Through our business interruption planning, we seek to minimize the risk of production and service interruptions and/or shortages of key parts by, among other things, monitoring the financial stability of key suppliers, identifying (but not necessarily qualifying) possible alternative suppliers and maintaining appropriate inventories of key parts. Although we make reasonable efforts to ensure that parts are available from multiple suppliers, certain key parts are available only from a single supplier or a limited group of suppliers. Also, key parts we obtain from some of our suppliers incorporate the suppliers’ proprietary IP; in those cases, we are increasingly reliant on third parties for high-performance, high-technology components, which reduces the amount of control we have over the availability and protection of the technology and IP that is used in our products. In addition, if certain of our key suppliers experience liquidity issues and are forced to discontinue operations, which is a heightened risk, especially during economic downturns, it could affect their ability to deliver parts and could result in delays for our products. Similarly, especially with respect to suppliers of high-technology components, our suppliers themselves have increasingly complex supply chains, and delays or disruptions at any stage of their supply chains may prevent us from obtaining parts in a timely manner and result in delays for our products, or our suppliers might pass on the cost of inflation to us while we are unable to adjust pricing with our own customers.

April 2025, the Chinese government imposed export controls on seven of the seventeen elements classified as rare earth elements. In October 2025, the Chinese government imposed additional restrictions and licensing requirements on certain rare earth elements, some of which became effective immediately on the announcement date and other portions of the regulations became effective in November 2025. The Chinese government imposed export controls on an additional five rare earth elements and certain license requirements for items made outside of China that incorporate controlled rare earth elements. It is estimated that China controls about 70% of the worldwide mining of rare earth elements, 90% of the separation and processing of those elements and 93% of the magnets manufactured from those elements. Rare earth elements are critical to certain components contained in our products. If our suppliers are unable to provide the components necessary to make our products because of restrictions placed on their access to rare earth elements or products derived from rare earth elements, our business, financial condition and results of operations could be materially harmed. Our operating results and business may be adversely impacted if we are unable to obtain parts to meet our production requirements and product specifications, or if we are able to do so only on unfavorable terms.

A supplier may discontinue production of a particular part for any number of reasons, including the supplier’s financial condition or business operational decisions, which would require us to purchase, in a single transaction, a large number of such discontinued parts in order to ensure that a continuous supply of such parts remains available to our customers. Such “end-of-life” parts purchases could result in significant expenditures by us in a particular period, and, ultimately, any unused parts may result in a significant inventory write-off, either of which could have an adverse impact on our financial condition and results of operations for the applicable periods. Recently, a few large suppliers have discontinued manufacturing certain DRAM chips that are incorporated in a number of our products, and the resulting shortage has caused a dramatic increase in the prices to

acquire these chips. Our efforts to procure these chips also contributed to an increase in purchase commitments in the second quarter of fiscal 2026. We estimate that the additional costs to procure these DRAM chips will have an adverse impact on our gross margin in calendar 2026. If we are unable to acquire adequate supply of such chips or acquire them in a timely or cost-controlled manner, our results of operations could be harmed.

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

Equity Repurchase Plans

The following is a summary of stock repurchases for the three months ended December 31, 2025:

Period	Total Number of Shares Purchased	Average Price Paid per Share ⁽³⁾	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾⁽²⁾⁽³⁾
October 1, 2025 to October 31, 2025	149,852	\$ 1,109.83	149,852	\$ 4,305,241,897
November 1, 2025 to November 30, 2025	184,960	\$ 1,155.81	184,960	\$ 4,091,463,600
December 1, 2025 to December 31, 2025	125,082	\$ 1,222.78	125,082	\$ 3,938,516,225
Total	<u>459,894</u>		<u>459,894</u>	

(1) Our Board of Directors has authorized a program that permits us to repurchase our common stock, including a \$5.00 billion increase approved by the Board in the fourth quarter of fiscal 2025. As of December 31, 2025, \$3.94 billion remained available for repurchases under our repurchase program. All shares in the table were purchased pursuant to our publicly announced repurchase program.

(2) Our stock repurchase program has no expiration date and may be suspended at any time. Future repurchases of shares of our common stock under our repurchase program may be effected through various different repurchase transaction structures including isolated open market transactions, accelerated share repurchase agreements or systematic repurchase plans, subject to market conditions, applicable legal requirements and other factors.

(3) Average price paid per share and approximate dollar value of shares that may yet be purchased under the plans or programs exclude the excise tax imposed on certain stock repurchases as part of the Inflation Reduction Act of 2022, or other fees, costs or expenses that may be applicable to the repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

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

During the three months ended December 31, 2025, the following officer of the Company adopted a trading plan to sell and/or gift shares of our common stock that have been or will be issued upon the vesting of RSUs, or purchased in our Employee Stock Purchase Plan, that are intended to satisfy the affirmative defense conditions set forth in Rule 10b5-1(c) under the Securities Exchange Act. The material terms of the trading plan other than pricing conditions are set forth in the table below:

Name of Officer	Title of Officer	Date of Adoption	Duration	Maximum Number of Shares to be Sold ⁽¹⁾⁽²⁾
Richard Wallace	President and Chief Executive Officer	November 20, 2025	392 days ⁽³⁾	71,398

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

(2) For RSUs that have not vested, the maximum number of shares to be sold does not take into account shares withheld for taxes.

(3) Mr. Wallace's trading plan terminates when the last trade is placed under the plan. The last scheduled trade is on December 15, 2026; provided that if any scheduled trades are not placed because of trading conditions set forth in the plan, the trading plan will terminate on December 16, 2026.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File Number	Exhibit Number	Filing Date
<u>3.1</u>	<u>Restated Certificate of Incorporation</u>	10-K	No. 000-09992	3.1	August 16, 2019
<u>3.2</u>	<u>Amended and Restated By-Laws</u>	8-K	No. 000-09992	3.1	November 7, 2025
<u>31.1</u>	<u>Certification of Chief Executive Officer under Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934</u>				
<u>31.2</u>	<u>Certification of Chief Financial Officer under Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934</u>				
<u>32</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350[^]</u>				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

[^] Furnished herewith

SIGNATURES

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

KLA CORPORATION
(Registrant)

January 30, 2026
(Date)

/s/ RICHARD P. WALLACE

Richard P. Wallace

President and Chief Executive Officer
(Principal Executive Officer)

January 30, 2026
(Date)

/s/ BREN D. HIGGINS

Bren D. Higgins

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

January 30, 2026
(Date)

/s/ VIRENDRA A. KIRLOSKAR

Virendra A. Kirloskar

Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

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

I, Richard P. Wallace, certify that:

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

January 30, 2026

(Date)

/s/ RICHARD P. WALLACE

Richard P. Wallace

President and Chief Executive Officer
 (Principal Executive Officer)

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

I, Bren D. Higgins, certify that:

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

January 30, 2026

(Date)

/s/ BREN D. HIGGINS

Bren D. Higgins

Executive Vice President and Chief Financial Officer
 (Principal Financial Officer)

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

I, Richard P. Wallace, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of KLA Corporation on Form 10-Q for the fiscal quarter ended December 31, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of KLA Corporation.

January 30, 2026
(Date)

By: /s/ RICHARD P. WALLACE
Name: Richard P. Wallace
Title: President and Chief Executive Officer

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

I, Bren D. Higgins, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of KLA Corporation on Form 10-Q for the fiscal quarter ended December 31, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of KLA Corporation.

January 30, 2026
(Date)

By: /s/ BREN D. HIGGINS
Name: Bren D. Higgins
Title: Executive Vice President and Chief Financial Officer