

Risk Factors Comparison 2023-12-15 to 2022-12-16 Form: 10-K

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The following risk factors could materially and adversely affect **our** ~~Applied's~~ business, financial condition or results of operations and cause reputational harm, and should be carefully considered in evaluating **our** ~~the Company and its~~ business, in addition to other information presented elsewhere in this report. Business and Industry Risks The industries **we** ~~that Applied~~ serves- **serve** can be volatile and difficult to predict. **As We are** a supplier to the global semiconductor and display and related industries, **Applied is** ~~which historically have been cyclical and are~~ subject to **variable industry conditions, since volatility and sudden changes in customer demand. Factors that impact** demand for **manufacturing equipment our products** and services **can change depending on several factors, including include** the nature and timing of technology inflections and advances in fabrication processes, ~~the timing and requirements of~~ new and emerging technologies and market drivers, production capacity relative to demand for chips and display technologies, end- user demand, customers' capacity utilization, production volumes, access to affordable capital, **business and** consumer buying patterns and general economic and political conditions. **Applied's** industries historically have been cyclical, and are subject to volatility and sudden changes **Changes in demand** customer requirements for new manufacturing capacity and advanced technology. These changes can affect the timing and amounts of customer investments in technology and manufacturing equipment and can **have a significant significantly** impact **our** on **Applied's** net sales, operating **results** expenses, gross margins and net income. The amount and mix of **our** **customers'** capital equipment spending between different products and technologies can **also have a significant significantly** impact **our operating** on **Applied's** results of operations. To meet rapidly changing demand **in the industries it serves**, **Applied we** must accurately forecast demand and effectively manage **its our** resources and, **investments**, production capacity across its, **supply chain, workforce, inventory, and other components of our** businesses-- **business**, and **We** may incur unexpected or additional costs to align **its our** business operations **with changes in**. During periods of increasing demand for its products, **Applied** must have sufficient manufacturing capacity and inventory to meet customer demand; effectively manage its supply chain; attract, retain and motivate a sufficient number of qualified employees; and continue to control costs. During periods of decreasing demand, **Applied** must reduce costs and align its cost structure with prevailing market conditions; effectively manage its supply chain; and motivate and retain key employees. If **Applied does we do** not effectively manage these challenges **during periods of changing demand**, **its our** business performance and **operating** results of operations may be adversely impacted. Even with effective allocation of resources and management of costs, **our** **during periods of decreasing demand, Applied's** gross **and operating** margins, cash flows and earnings may be adversely impacted **during periods of changing demand**. **Applied is We are** exposed to risks associated with an uncertain global economy. Uncertain or adverse economic and business conditions, including uncertainties and volatility in the financial markets, national debt, fiscal or monetary concerns, rising inflation and interest rates **in various regions**, **bank failures**, and economic recession, could materially **and** adversely impact **our** **Applied's** operating results. Markets for semiconductors and displays depend largely on business and consumer spending and demand for electronic products. Uncertain or adverse economic and business conditions could result in decreases in consumer spending and demand. **Such decreases Decreases** in spending and demand have **in the past** caused, and may in the future cause, our customers to push out, cancel or refrain from purchasing our equipment or services, which could negatively impact demand for our products and services, reduce our backlog, increase our inventory, and materially **and** adversely impact our operating results. **Similarly, changes that result in sudden Sudden** increases in consumer demand for electronic products have **caused resulted in**, and may **continue to result in the future cause**, a shortage of parts and materials needed to manufacture our products. Such shortages, **and as well as** shipment delays due to transportation capacity and interruptions, have adversely impacted, and may **continue to in the future** adversely impact, our suppliers' ability to meet our **demand** requirements. Accelerated digital transformation may further increase consumer demand and exacerbate **such** shortages and **also** strain our manufacturing capacity, which may adversely impact our ability to meet customer **demands demand** and **thus** have an adverse impact on our revenues, **operating** results of operations and financial condition. Uncertain or adverse economic and market conditions, difficulties in obtaining capital, increased costs or reduced profitability may **also** cause some customers to scale back operations, exit businesses, merge with other manufacturers, or file for bankruptcy protection and potentially cease operations, which can **also** result in lower sales, additional inventory or bad debt expense for **Applied**. Economic and industry uncertainty may **similarly affect impair the ability of** suppliers, **which could impair their ability** to deliver parts and negatively affect **our** **Applied's** ability to manage operations and deliver **its our** products. These conditions may also lead to consolidation or strategic alliances among other equipment manufacturers, which could adversely affect **our** **Applied's** ability to compete effectively. Uncertain economic and industry conditions and **continued** supply chain **challenges** **disruptions** **also** make it more **difficult** challenging for **Applied** to **accurately** forecast its operating results, make business decisions, and identify and prioritize the risks that may affect **its our** businesses, sources and uses of cash, financial condition and results of operations. If **Applied does we do** not appropriately manage **its our** business operations in response to changing economic and industry conditions, it could have a **significant negative material and adverse** impact on **its our** business performance and financial condition. **Applied We** may be required to implement additional cost reduction efforts, including restructuring activities, which may adversely **impact our** affect **Applied's** ability to capitalize on opportunities. Even during periods of economic uncertainty or lower **revenues demand**, **Applied we** must continue to invest in research and development and maintain a global business infrastructure to compete effectively and support **its our** customers, which can have a negative impact on **its our** operating **results** margins and earnings. **Applied We** maintains- **maintain** an investment portfolio that is

subject to general credit, liquidity, market and interest rate risks. The risks to **our Applied's** investment portfolio may be exacerbated if financial market conditions deteriorate due to rising inflation, rising interest rates, **bank failures or** economic recession **or impacts of the COVID-19 pandemic** and, as a result, the value and liquidity of the investment portfolio **and**, as well as returns on pension assets, could be negatively impacted and lead to impairment charges. **Applied We** also **maintain** cash balances in various bank accounts globally in order to fund normal operations. If any of these financial institutions **becomes** **become** insolvent, it could limit **our Applied's** ability to access cash in the affected accounts, which could affect **its our** ability to manage **its our** operations. **Applied is** **We are** exposed to the risks of operating a global business. **Applied has** **We have** product development, engineering, manufacturing, sales and other operations **in** distributed throughout many countries, and some of **its our** business activities are concentrated in certain geographic areas. **In** **Moreover, in** **fiscal 2022 2023**, approximately 88-85 % of **our Applied's** net sales were to customers in regions outside the United States. As a result of the global nature of **its our** operations, **our Applied's** business performance and results of operations may be adversely affected by a number of factors, including: • uncertain global economic **and**, political **and** business conditions and **demands** **demand**; • global trade issues and changes in and uncertainties with respect to trade and export regulations, trade policies and sanctions, tariffs, and international trade disputes, including new and changing export regulations **for certain** **and their impact on our ability to** **export** **export products** to China **and any retaliatory measures** **provide services to customers**; • positions taken by governmental agencies regarding possible national, commercial **and** or security issues posed by the development, sale or export of certain **raw materials**, products and technologies; • political instability, natural disasters, regional or global health epidemics, social unrest, terrorism, acts of war or other geopolitical turmoil, or cybersecurity incidents in locations where **Applied has** **we have** operations, suppliers or sales, or that may influence the value chain of the industries **we that Applied serves** **serve**; • political and social attitudes, laws, rules, regulations and policies within countries, **including in China, the United States, and countries in Europe and Asia**, that favor domestic companies over non- domestic companies, including **customer** **or government** **supported** efforts to promote the development and growth of local competitors **and reduce dependence on foreign semiconductor equipment and manufacturing capabilities through policies and financial incentives**; • **customer** **or government** **supported** efforts to influence **Applied us** to conduct more or less of **its our** operations and sourcing in a particular country; • **different** variations among **and** **changing** changes in local, regional, national or international laws and regulations, including contract, intellectual property, cybersecurity, data privacy, labor, tax, and import / export laws, and the interpretation and application of **such** laws and regulations; • ineffective or inadequate legal protection of intellectual property rights in certain countries; • interruptions to **Applied our or our suppliers'** **s or its supplier's** supply chain; • the availability **or increasing** costs of **and increases and volatility of**, raw material **materials**, commodity, energy and shipping **or volatility in such** costs; • delays or restrictions on personnel travel and in shipping materials or **finished** products **between and within** countries; • geographically diverse operations and projects, and our ability to maintain appropriate business processes, procedures and internal controls, and comply with environmental, health and safety, anti- corruption and other regulatory requirements; • **failure to** **challenges in hiring and integrating workers in different countries, and in** effectively **manage** **managing** a diverse workforce with different experience levels, languages, cultures, customs, business practices and worker expectations, and differing employment practices and labor issues; • **variations in** the ability to develop relationships with local customers, suppliers and governments; • fluctuations in interest rates and currency exchange rates, including the relative strength or weakness of the U. S. dollar against the Japanese yen, Israeli shekel, euro, Taiwanese dollar, Singapore dollar, Chinese yuan or Korean won; • the need to provide sufficient levels of technical support in different locations around the world; • performance of **geographically diverse** third- party providers of **outsourced functions**, including certain engineering, software development, manufacturing, information technology and other **activities** **functions**; • service interruptions from utilities, transportation, data hosting or telecommunications providers, **or other events beyond our control**; • impacts of climate change on **the our** operations **and those** of **our Applied, its** customers and suppliers; • **challenges in hiring and integration of an increasing number of workers in new countries**; • the increasing need for a mobile workforce **and** to work in or travel to different regions; and • uncertainties with respect to economic growth rates in various countries, including for the manufacture and sale of semiconductors and displays in the developing economies of certain countries. Global trade issues and changes in and uncertainties with respect to trade policies and export regulations, including import and export license requirements, trade sanctions, tariffs and international trade disputes, have adversely impacted and could further adversely impact our business and operations, and reduce the competitiveness of our products relative to local and global competitors. We sell a significant majority of our products into jurisdictions outside of the United States, including China, Taiwan, **Korea and** Japan **and Korea**. We also purchase a significant portion of equipment and supplies from suppliers outside of the United States. There is inherent risk, based on the complex relationships among the United States and the countries in which we conduct our business, that political, diplomatic, and national security factors can lead to global trade **issues** **restrictions** and changes in trade policies and export regulations, in particular, with respect to those affecting the semiconductor industry. The United States and other countries have imposed and may continue to impose new trade restrictions and export regulations, and have **also** levied tariffs and taxes on certain goods. Trade restrictions and export regulations, or increases in tariffs and additional taxes, including any retaliatory measures, can negatively impact end- user demand and customer investment in manufacturing equipment, increase our **supply chain complexity and our** manufacturing costs, decrease margins, reduce the competitiveness of our products, or **prohibit** **restrict** our ability to sell products, provide services or purchase necessary equipment and supplies, any or all of which could have a material **and** adverse effect on our business, results of operations, or financial condition. For example, certain international sales depend on our ability to obtain export licenses, and our inability to obtain such licenses has limited and could further limit our markets and negatively impact our business. **The** **In the past two years, the** U. S. government **recently** announced new export regulations for U. S. semiconductor technology sold in China, including wafer fabrication equipment and related parts and services, which have limited the market for certain of our products, adversely impacted our revenues, and

increased our exposure to foreign competition. The U. S. Department of Commerce has promulgated rules and regulations expanding export license requirements for U. S. companies that sell certain products to entities in China whose actions or functions are intended to support military end uses, eliminated certain export license exceptions that applied to exports of certain items to China, added certain Chinese companies to its “ Entity List ” and “ Unverified List, ” making those companies subject to additional licensing requirements, and expanded licensing requirements for exports to China of items for use in the development or production of integrated circuits and certain technologies. These rules and regulations require us to obtain additional export licenses to supply certain of our products or provide services to certain customers in China. Obtaining export licenses may be difficult, costly and time- consuming, and there is no assurance that we will be issued licenses that we apply for on a timely basis or at all. Our inability to obtain such licenses could limit our markets in China, may cause us to be displaced by foreign businesses and competitors and adversely affect our results of operations. The implementation and interpretation of these **complex** rules and other regulatory actions taken by the U. S. government is uncertain and evolving, and may make it more challenging for ~~Applied us~~ **Applied us** to manage ~~its our~~ **its our** operations and forecast ~~its our~~ **its our** operating results. The U. S. and other governmental ~~government~~ **government** agencies may in the future promulgate new or additional export licensing or other requirements that have the effect of further limiting ~~our the Company's~~ **our the Company's** ability to provide certain of its products and services to customers outside the U. S., including China. **The U. S. government may also revise or expand existing requirements or issue guidance clarifying the scope and application of these requirements, which could change the impact of these rules on our business and manufacturing operations. The U. S. government may also continue to add customers to its “ Entity List ” and “ Unverified List, ” or take measures that could disrupt our product shipments to certain customers.** These and other **potential future** regulatory changes ~~that may occur in the future~~ could materially and adversely affect our business, results of operations or financial condition. As a global business with customers, suppliers and operations in many countries around the world, ~~Applied may~~ **Applied may** from time to time **we may** receive inquiries from government authorities about transactions between ~~Applied us~~ **Applied us** and certain foreign entities. **In For example, in August 2022, Applied we** received a subpoena from the U. S. Attorney's Office for the District of Massachusetts requesting information relating to certain China customer shipments. **In November 2023, we received a subpoena from the U. S. Commerce Department's Bureau of Industry and Security requesting the same information.** We are cooperating fully with the government **in these matters** . These inquiries are subject to uncertainties, and we cannot predict the outcome of ~~this these~~ **these inquiry inquiries** , or any other governmental inquires or proceedings that may occur. Any violation or alleged violation of law or regulations could result in significant legal costs or in legal proceedings in which ~~Applied we or or our~~ **Applied we or or our** its employees could be subjected to fines and penalties and could result in restrictions on ~~our Applied's~~ **our Applied's** business and damage to ~~its our~~ **its our** global brand and reputation, and could have **a material an and** adverse impact on ~~its our~~ **its our** business operations, financial condition and results of operations. Furthermore, government authorities may take retaliatory actions, impose conditions that require the use of local suppliers or partnerships with local companies, require the license or other transfer of **sensitive data or** intellectual property, or engage in other efforts to promote local businesses and local competitors, which could have a **significant material and** adverse impact on ~~our Applied's~~ **our Applied's** business. Many of these challenges are present in China and Korea, markets that represent a significant portion of ~~our Applied's~~ **our Applied's** business. ~~Applied is~~ **We are** exposed to risks associated with a highly concentrated customer base. ~~Applied's customer base is highly concentrated and has become increasingly so as a result of continued consolidation. Applied's customer base is also geographically concentrated, particularly in China, Taiwan and Korea.~~ **A relatively limited number of manufacturers customers account for a substantial portion of our Applied's business . Our customer base is geographically concentrated, particularly in China, Taiwan, Korea and Japan .** As a result, the actions of even a single customer or export regulations that apply to customers in certain countries, such as those in China, have exposed and can further expose ~~our Applied's~~ **our Applied's** business and **operating** results ~~of operations~~ to greater volatility. The geographic concentration of ~~our Applied's~~ **our Applied's** customer base could shift over time as a result of government policy and incentives to develop regional semiconductor industries. The mix and type of customers, and sales to any single customer, including as a result of changes in government policy, have varied and may vary significantly from quarter to quarter and from year to year, and have had, and may continue to have, a significant impact on ~~our~~ **our** **operating results** ~~Applied's net sales, gross margins and net income.~~ **Our Applied's** products are configured to customer specifications, and changing, rescheduling or canceling orders may result in significant, non- recoverable costs. If customers do not place orders, or they substantially reduce, delay or cancel orders (including as a result of uncertain or adverse economic conditions, our inability to fulfill orders due to export regulations, shortage of parts, transportation capacity / interruptions or any other reason), ~~Applied we~~ **Applied we** may not be able to replace the business, which may have a **significant material and** adverse impact on ~~its our~~ **its our** results of operations and financial condition. The concentration of ~~our Applied's~~ **our Applied's** customer base increases ~~its our~~ **its our** risks related to the financial condition of ~~its our~~ **its our** customers, and the deterioration in financial condition of a single customer or the failure of a single customer to perform its obligations could have a material **and** adverse effect on ~~our Applied's~~ **our Applied's** results of operations and cash flow. To the extent ~~its our~~ **its our** customers experience liquidity constraints, ~~Applied we~~ **Applied we** may incur bad debt expense, which may have a significant impact on ~~its our~~ **its our** results of operations. Major customers may ~~also~~ seek pricing, payment, intellectual property- related, or other commercial terms that are less favorable to ~~Applied us~~ **Applied us** , which may have a negative impact on ~~our Applied's~~ **our Applied's** business, cash flow, revenue and gross margins. Supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand, could affect ~~our Applied's~~ **our Applied's** ability to meet customer demand, lead to higher costs, or result in excess or obsolete inventory. **Our Applied's** business depends on ~~its our~~ **its our** timely supply of equipment, services and related products to meet the changing ~~technical and volume~~ requirements of ~~its our~~ **its our** customers, which depends in part on the timely delivery of parts, materials and services ~~including components and subassemblies,~~ from suppliers and contract manufacturers. **Significant and sudden increases Increases** in demand for ~~our Applied's~~ **our Applied's** products **and** , as well as worldwide demand for electronic products **can impact our suppliers' ability to meet our demand requirements , and** have resulted in, and may continue to result in, a shortage of parts, materials and services needed to manufacture ~~our Applied's~~ **our Applied's**

products. Such shortages, as well as delays in and unpredictability of shipments due to transportation interruptions, have adversely impacted, and may continue to adversely impact, our suppliers' ability to meet our demand requirements. Difficulties in obtaining sufficient and timely supply of parts, materials or services, and delays in and unpredictability of shipments due to transportation interruptions, have adversely impacted, and may continue to adversely impact, Applied's manufacturing operations and its ability to meet customer demand. **Volatility of demand for manufacturing equipment** Moreover, lockdowns that may from time to time be imposed in various geographic regions in response to periodic spikes in COVID-19 cases and related travel and logistics restrictions may result in additional supply chain -- **can also** and transportation disruptions, production delays, capacity limitations and cost increases -- **increase**. Our operating results may be adversely impacted if we are unable to obtain parts, materials or **our and our suppliers** services needed to manufacture Applied's **capital** s products, **technical, operational and other risks, and may cause some suppliers to exit businesses, or scale back or cease operations, which could impact** or **our ability** if we are unable to **meet customer demand** do so on a timely manner or on favorable terms . Ongoing supply chain constraints may continue to increase costs of logistics and parts for our products and may cause us to pass on increased costs to our customers , **which** . Such increase in costs may lead to reduced demand for our products and materially **and** adversely impact our operating results . Some key parts are subject to long lead- times or available only from a single supplier or limited group of suppliers, and some sourcing or subassembly is provided by suppliers located in countries other than the countries where Applied conducts its manufacturing . Supply chain disruptions have caused and may continue to cause delays in our equipment production and delivery schedules, which can lead to our business performance becoming significantly dependent on quarter- end production and delivery schedules, and could have an adverse impact on our operating and financial results. **Cybersecurity incidents affecting our suppliers could impact our** Volatility of demand for manufacturing equipment can also increase capital, technical, operational and other risks for Applied and for companies throughout its supply chain -- and may **also** cause **difficulties and delays in** some suppliers to exit businesses, or **our scale-back ability to obtain parts, materials and services needed to manufacture or our** **cease products and provide services, and may adversely impact our manufacturing** operations, which could impact our ability to meet customer demand , **and our operating results** . Applied **Failure to timely recover from such delays could materially and adversely affect our business, financial condition and results of operations, and** may also **cause our business and financial outlook to be inaccurate. We may** experience **supply chain disruptions**, significant interruptions of **its-our** manufacturing operations, delays in **its-our** ability to deliver or install products or services, increased costs, customer order cancellations or reduced demand for **its-our** products as a result of: • global trade issues and changes in and uncertainties with respect to trade and export regulations, trade policies and sanctions, tariffs, **and** international trade disputes, **including and** new and changing **export** regulations for **exports of** certain **exports technologies** to China, where a significant portion of **our Applied's** supply chain is located, and any retaliatory measures, that adversely impact **Applied-us or or our** its direct or sub- tier suppliers; • the failure or inability to accurately forecast demand and obtain **sufficient quantities of** quality parts on a cost- effective basis; • volatility in the availability and cost of parts, commodities, energy and shipping related to our products, including increased costs due to rising inflation or interest rates or other market conditions; • difficulties or delays in obtaining required import or export licenses and approvals; • shipment delays due to transportation interruptions or capacity constraints; • a worldwide shortage of semiconductor components as a result of sharp increases in demand for semiconductor products in general; • **limited availability of feasible alternatives to per- and polyfluoroalkyl substances, which are found in parts, components, process chemicals and other materials supplied to us or used in the operations of our products;** • **cybersecurity incidents or** information technology or infrastructure failures, including those of a third - party supplier or service provider; and • natural disasters, the impacts of climate change, or other events beyond **our Applied's** control (such as earthquakes, utility interruptions, tsunamis, hurricanes, typhoons, floods, storms or extreme weather conditions, fires, regional economic downturns, regional or global health epidemics, **including the COVID-19 pandemic**, geopolitical turmoil, increased trade restrictions between the U. S. and China and other countries, social unrest, political instability, terrorism, or acts of war) in locations where **it we or or our** its customers or suppliers have manufacturing, research, engineering or other operations. If a supplier fails to meet **our Applied's** requirements concerning quality, cost, intellectual property protection, socially- responsible business practices, or other performance factors, **Applied-we** may transfer **its-our** business to alternative sources. Transferring business to alternative suppliers could result in manufacturing delays, additional costs or other difficulties, and may impair **our Applied's** ability to protect, enforce and extract the full value of **its-our** intellectual property rights, **and as well as** the intellectual property rights of **its-our** customers 'and other third parties. These outcomes could have **a material an and** adverse impact on **its-our** business and competitive position and subject **Applied-us** to legal proceedings and claims. **If we are** In addition, if Applied is unable to meet **its-our** customers' demand for a prolonged period due to **its-our** inability to obtain certain parts or components from suppliers on a timely basis or at all, **its-our** business, results of operations and customer relationships could be adversely impacted. **If we** In addition, if Applied needs **need** to rapidly increase **its-our** business and manufacturing capacity to meet increases in demand or expedited shipment schedules, this may strain **our Applied's** manufacturing and supply chain operations, and negatively impact **our Applied's** working capital. Moreover, if actual **If we are unable to accurately forecast** demand for **our Applied's** products is different than expected , **Applied-we** may purchase more or fewer parts than necessary or incur costs for canceling, postponing or expediting delivery of parts. If **Applied-we** purchases -- **purchase** or **commits- commit** to purchase inventory in anticipation of customer demand that does not materialize, or such inventory is rendered obsolete by the rapid pace of technological change, or if customers reduce, delay or cancel orders, **Applied-we** may incur excess or obsolete inventory charges. **The continued effects of the COVID-19 pandemic and global measures taken in response have adversely impacted, and may continue to adversely impact, Applied's operations and financial results. The continued effects of the COVID-19 pandemic and measures taken in response by governments and businesses worldwide to contain its spread have adversely impacted and may continue to adversely impact Applied's supply chain, manufacturing, logistics, workforce and**

operations, as well as the operations of Applied's customers, suppliers and partners globally. There is continued uncertainty regarding the duration, scope and severity of the pandemic, particularly with the emergence of new variants of COVID-19 and periodic spikes in COVID-19 cases in various geographic regions, and the impacts on our business and the global economy from the effects of the pandemic and response measures. Travel and logistics restrictions, lockdowns, vaccine requirements and other measures from time to time implemented by foreign and domestic authorities have resulted in, and may continue to result in, supply chain and transportation disruptions, production delays and capacity limitations at Applied and some of its customers, suppliers and partners, as well as reduced workforce availability or productivity at Applied and customer sites, and additional data, information and cyber security risks associated with an extensive workforce working remotely. As economic activity and business operations in certain regions recover, there have been and may continue to be periods of significant or sudden increases in demand for Applied's products, as well as worldwide demand for electronic products. Significant or sudden demand increases have resulted in, and may continue to result in, a shortage of parts, materials or services needed to manufacture Applied's products. We have also experienced, and may continue to experience, shipment delays due to transportation interruptions or capacity constraints. Such shortages or delays have adversely impacted, and could continue to adversely impact, our suppliers' ability to meet our demand requirements and do so on favorable terms, and our ability to meet our customer demand. There can be no assurance that Applied or its suppliers will be able to maintain manufacturing operations at levels necessary to adequately address demand for Applied products. In addition, the pandemic and measures taken in response thereto have had, and may continue to have, a significant adverse impact on the global economic activity and could also result in a reduced demand for our products, delayed deliveries or installation, cancelled orders or increase in logistics and operating costs, and materially and adversely affect Applied's business, financial condition and results of operations. The degree to which the pandemic ultimately impacts Applied's business, financial condition and results of operations and the global economy will depend on future developments beyond our control, which are highly uncertain and difficult to predict, including the severity, duration and any resurgence of the pandemic, the extent, duration and effectiveness of periodic lockdowns and other containment actions, the availability, public adoption and efficacy of COVID vaccines, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of resulting global economic volatility. Applied is exposed to risks as a result of ongoing changes in the various industries in which it we operates - operate. The global semiconductor, display and related industries in which Applied operates are characterized by ongoing changes affecting some or all of these industries that impact demand for and the profitability of our Applied's products and its consolidated services and our operating results of operations, including: • the nature, timing and degree of visibility of changes in end - user demand for electronic products, including those related to fluctuations in consumer buying patterns tied to general economic conditions, seasonality or the introduction of new products, and the effects of these changes on customers' businesses and on demand for our Applied's products; • increasing capital requirements for building and operating new fabrication plants and customers' ability to raise the necessary capital; • trade, regulatory, tax or government incentive incentives policies impacting the timing of customers' investment in new or expanded fabrication plants; • differences in growth rates among the semiconductor, display and other industries in which Applied we operates - operate; • the increasing importance of establishing, improving and maintaining strong relationships with customers; • the increasing cost and complexity for customers to move from product design to volume manufacturing, which may slow the adoption rate of new manufacturing technology; • the importance of reducing need for customers to continually reduce the total cost of manufacturing system ownership; • the heightened importance to customers of system reliability and productivity and the effect on demand for fabrication systems as a result of their increasing productivity, device yield and reliability; • manufacturers' ability to reconfigure and re-use fabrication systems which can reduce demand for new equipment; • the increasing importance of, and difficulties in, developing products with sufficient differentiation to influence customers' purchasing decisions; • requirements for shorter cycle times for the development, manufacture and installation of manufacturing equipment; • price and performance trends for semiconductor devices and displays, and the impact corresponding effect on demand for such products; • the increasing importance of the availability of spare parts to maximize the time that customers' systems are available for production; • increasing government incentives for local suppliers and domestic semiconductor research, development and manufacturing capabilities; • the increasing role for and complexity of software in Applied our products; and • the increasing role of machine learning and artificial intelligence with respect to semiconductor equipment and related services; and • the focus on reducing energy usage and improving the environmental impact and sustainability associated with manufacturing operations. Applied is We are exposed to risks as a result of ongoing changes specific to the semiconductor industry. The largest proportion of our Applied's consolidated net sales and profitability is derived from sales of manufacturing equipment in the Semiconductor Systems segment to the global semiconductor industry. In addition, and a majority of the revenues of Applied Global Services is from sales to semiconductor manufacturers. The semiconductor industry is characterized by ongoing changes particular to this industry that impact demand for and the profitability of our Applied's semiconductor manufacturing equipment and service products, including: • the increasing frequency and complexity of technology transitions and inflections, and our Applied's ability to timely and effectively anticipate and adapt to these changes; • the increasing cost of research and development due to many factors, including shrinking geometries, the use of new materials, new and more complex device structures, more applications and process steps, increasing chip design costs, and the increasing cost and complexity of integrated manufacturing processes; • the need to reduce product development time and meet, despite the increasing difficulty of technical challenges; • the growing number of types and varieties of semiconductors and number of applications across multiple substrate sizes; • the increasing cost and complexity for semiconductor manufacturers to move more technically advanced capability and smaller geometries to volume manufacturing, and the resulting impact on the rates of technology transition and investment in capital equipment; • challenges in generating organic growth given semiconductor manufacturers' levels of capital expenditures and the allocation of capital investment to market segments that Applied does we do not serve, such as lithography, or segments where

our Applied's products have lower relative market presence; • **delays customer investment in semiconductor installation of manufacturing equipment delivered to customers capabilities in China, which has been affected by changes in economic conditions and governmental regulations, including trade policies and export regulations**; • the importance of increasing market positions in segments with growing demand; • semiconductor **manufacturer-manufacturers'** s-ability to reconfigure and re-use equipment, resulting in diminished need to purchase new equipment and services from us, and challenges in providing parts for reused equipment; • shorter cycle times between order placements by customers and product shipment require greater reliance on forecasting of customer investment, which may lead to inventory write-offs and manufacturing inefficiencies that decrease gross margin; • competitive factors that make it difficult to enhance position, including challenges in securing development-tool-of-record (DTOR) and production-tool-of-record (PTOR) positions with customers; • consolidation in the semiconductor industry, including among semiconductor manufacturers and among manufacturing equipment suppliers; • shifts in sourcing strategies by computer and electronics companies, and manufacturing processes for advanced circuit technologies, that impact the equipment requirements of our Applied's foundry customers; • the concentration of new wafer starts in Korea and Taiwan, where our Applied's service penetration and service-revenue-per-wafer-start have been lower than in other regions; • the increasing fragmentation of semiconductor markets, leading certain markets to become too small to support the cost of a new fabrication plant, while others require less technologically advanced products; and • the growing importance of specialty markets (such as Internet of Things, communications, automotive, power and sensors) that use mature process technologies and have a low barrier to entry. If Applied does we do not accurately forecast and allocate appropriate resources and investment towards addressing key technology changes and inflections, successfully develop and commercialize products to meet demand for new technologies, and effectively address industry trends, **its-our** business and results of operations may be **materially and** adversely impacted. Applied is **We are** exposed to **risks as a result of** ongoing changes specific to the display industry. The global display industry **historically** has experienced considerable volatility in capital equipment investment levels, due in part to the limited number of display manufacturers, the concentrated nature of end-use applications, production capacity relative to end-use demand, and panel manufacturer profitability. Industry growth depends primarily on consumer demand for increasingly larger and more advanced TVs, and on demand for advanced smartphones and mobile device displays, which demand is highly sensitive to cost and improvements in technologies and features. The display industry is characterized by ongoing changes particular to this industry that impact demand for and the profitability of our Applied's display products and services, including: • the importance of new types of display technologies, such as organic light-emitting diode (OLED), low temperature polysilicon (LTPS) and metal oxide transistor backplanes, flexible displays, and new touch panel films; • the increasing cost of research and development, and complexity of technology transitions and inflections, and our Applied's ability to timely and effectively anticipate and adapt to these changes; • the timing and extent of an expansion of manufacturing facilities in China, which may be affected by changes in economic conditions and governmental regulations, including trade policies and export regulations; • the importance of increasing market positions in products and technologies with growing demand; • the rate of transition to larger substrate sizes for TVs and to new display technologies for TVs, information technology products and mobile applications, and **augmented and virtual reality applications, and** the resulting effect on capital intensity in the industry and on our Applied's product differentiation, gross margin and return on investment; **and • the concentration of display manufacturer customers, and** fluctuations in customer spending quarter over quarter and year over year for display manufacturing equipment, **concentration**; **and • the dependence on a limited number** of display manufacturer customers' **selection of new technologies**, and their ability to successfully commercialize new products and technologies, and uncertainty with respect to future display technology end-use applications and growth drivers. **The display industry has experienced decreased levels of investment in manufacturing equipment.** If Applied does we do not successfully develop and commercialize products to meet demand for new and emerging display technologies, or if industry demand for display manufacturing equipment and technologies **slows does not grow**, our Applied's business and **its-our** **operating** results of operations may **continue to** be adversely impacted. The industries in which Applied we operates-operate are highly competitive and subject to rapid technological and market changes. Applied We operates-operate in a highly competitive environment in which innovation is critical, and **its-our** future success depends on many factors, including the development of new technologies and effective commercialization and customer acceptance of **its-our** equipment, services and related products, and **its-our** ability to increase **its-our** position in **its-our** current markets, expand into adjacent and new markets, and optimize operational performance. The development, introduction and support of a broadening set of products in a geographically diverse and competitive environment, **and that may require requires** greater collaboration with customers and other industry participants, **have which has** grown more complex and expensive over time. **New** Furthermore, **new** or improved products may entail higher costs, longer development cycles, lower profits and may have unforeseen product design or manufacturing defects. To compete successfully, Applied we must: • identify and address technology inflections, market changes, competitor innovations, new applications, customer requirements and end-use demand in a timely and effective manner; • develop new products and disruptive technologies, improve and develop new applications for existing products, and adapt products for use by customers in different applications and markets with varying technical requirements; • **complete major infrastructure projects on schedule and on budget, and realize the anticipated benefits of those projects**; • differentiate **its-our** products from those of competitors, meet customers' performance specifications (including those related to energy consumption and environmental impact more broadly), appropriately price products, and achieve market acceptance; • **effectively and timely implement artificial intelligence strategies for our product and service offerings, which may be costly or ineffective, introduce errors, cause loss of intellectual property, and raise complex regulatory compliance, intellectual property and other issues**; • maintain operating flexibility to enable responses to changing markets, applications, customers and customer requirements; • enhance **its-our** worldwide operations across **its-our** businesses to reduce cycle time, enable continuous quality improvement, reduce costs, and enhance design for manufacturability and serviceability; • focus on

product development and sales and marketing strategies that address customers' high value problems and strengthen customer relationships; • effectively allocate resources between ~~its~~ **our** existing products and markets, the development of new products, and expanding into new and adjacent markets; • improve the productivity of capital invested in R & D activities; • accurately forecast demand, work with suppliers and meet production schedules for ~~its~~ **our** products; • improve ~~its~~ **our** manufacturing processes and achieve cost efficiencies across product offerings; • adapt to changes in value offered by companies in different parts of the supply chain; • qualify products for evaluation and volume manufacturing with ~~its~~ **our** customers; and • implement changes in ~~its~~ **our** design engineering methodology to reduce material costs and cycle time, increase commonality of platforms and types of parts used in different systems, and improve product life cycle management. If ~~Applied does~~ **we do** not successfully anticipate technology inflections, develop and commercialize new products and technologies, and respond to changes in customer requirements and market trends, ~~its~~ **our** business performance and ~~operating~~ **results of operations** may be ~~materially and~~ **adversely impacted**. ~~Applied is~~ **We are** exposed to risks associated with expanding into new and related markets and industries. As part of ~~its~~ **our** growth strategy, ~~Applied we seeks~~ **seek to continue** to expand into related or new markets and industries, either with ~~its~~ **our** existing products or with new products developed internally, or those developed in collaboration with third parties, or obtained through acquisitions. ~~Our Applied's~~ **Our Applied's** ability to successfully expand ~~its~~ **our** business into new and related markets and industries may be adversely affected by a number of factors, including: • the need to devote additional resources to develop new products for, and operate in, new markets; • the need to develop new sales and technical marketing strategies, ~~cultivate and to develop~~ **relationships with new customers and meet different customer service requirements**; • differing rates of profitability and growth among multiple businesses; • ~~our Applied's~~ **our Applied's** ability to anticipate demand, capitalize on opportunities, and avoid or minimize risks; • the complexity of managing multiple businesses with variations in production planning, execution, supply chain management and logistics; • the adoption of new business models, business processes and systems; • the complexity of entering into and effectively managing strategic alliances or partnering opportunities; • new materials, processes and technologies; • the need to attract, motivate and retain employees with skills and expertise in these new areas; • new and more diverse customers and suppliers, including some with limited operating histories, uncertain or limited funding, evolving business models or locations in regions where ~~Applied does~~ **we do** not have, or ~~has have~~ **limited, operations**; • new or different competitors with potentially more financial or other resources, industry experience and established customer relationships; • entry into new industries and countries, with differing levels of government involvement, laws and regulations, and business, employment and safety practices and requirements; • third parties' intellectual property rights; and • the need to comply with, or work to establish, industry standards and practices. ~~In addition, Applied from~~ **From** time to time ~~we receives~~ **receive** funding from ~~the~~ **the** United States and other government agencies for certain strategic development programs to increase ~~its~~ **our** research and development resources and address new market opportunities. As a condition to this government funding, ~~Applied is~~ **we are** often subject to certain record-keeping, audit, intellectual property rights- sharing, and / or other obligations. Operational and Financial Risks ~~Applied is~~ **We are** exposed to ~~various~~ **various** risks related to protection and enforcement of intellectual property rights. ~~Our Applied's~~ **Our Applied's** success depends in significant part on the protection of ~~its~~ **our** technology using patents, trade secrets, copyrights and other intellectual property rights. Infringement or misappropriation of ~~our Applied's~~ **our Applied's** intellectual property rights, such as the ~~unauthorized~~ **unauthorized** manufacture or sale of equipment or spare parts ~~that use our technology without authorization~~ **that use our technology without authorization**, could result in uncompensated lost market and revenue opportunities ~~for Applied~~. Monitoring and detecting any unauthorized ~~access, use or disclosure~~ **access, use or disclosure** of ~~our~~ **our** intellectual property is difficult and costly and ~~Applied we~~ **Applied we** cannot be certain that the protective measures ~~it has~~ **we have** implemented will completely prevent misuse. ~~Our Applied's~~ **Our Applied's** ability to enforce ~~its~~ **our** intellectual property rights is subject to litigation risks ~~and~~ **and**, as well as uncertainty as to the protection and enforceability of those rights in some countries. If ~~Applied we seeks~~ **seek** to enforce ~~its~~ **our** intellectual property rights, ~~it we~~ **it we** may be subject to claims that those rights are invalid or unenforceable, and others may seek counterclaims against ~~Applied us~~ **Applied us**, which could have a negative impact on ~~its~~ **our** business. If ~~Applied is~~ **we are** unable to enforce and protect intellectual property rights, or if they are circumvented, rendered obsolete or, ~~invalidated by the rapid pace of technological change, or stolen or misappropriated by employees or third parties, it could have an adverse impact on~~ **invalidated by the rapid pace of technological change, or stolen or misappropriated by employees or third parties, it could have an adverse impact on** ~~its~~ **our** competitive position and business. ~~In addition, changes~~ **Changes** in intellectual property laws or their interpretation may impact ~~our Applied's~~ **our Applied's** ability to protect and assert ~~its~~ **our** intellectual property rights, increase costs and uncertainties in the prosecution of patent applications or related enforcement actions, and diminish the value and competitive advantage conferred by ~~our Applied's~~ **our Applied's** intellectual property assets. ~~From time to time~~ **From time to time** ~~Third third~~ **Third third** parties ~~have asserted, and~~ **have asserted, and** may also ~~continue to~~ **continue to** assert, ~~intellectual property~~ **intellectual property** claims against ~~Applied us~~ **Applied us** and ~~its~~ **our** products. Claims that ~~our Applied's~~ **our Applied's** products infringe the rights of others, whether or not meritorious, can be expensive and time- consuming to defend and resolve, and may divert the efforts and attention of management and personnel. The inability to obtain rights to use third - party intellectual property on commercially reasonable terms could have an adverse impact on ~~our Applied's~~ **our Applied's** business. ~~We~~ **We** ~~In addition, Applied~~ **In addition, Applied** may face claims based on the theft or unauthorized use or disclosure of third- party trade secrets and other confidential business information. Any such incidents and claims could severely harm ~~our Applied's~~ **our Applied's** business and reputation, result in significant expenses, harm ~~its~~ **our** competitive position, and prevent ~~Applied us~~ **Applied us** from selling certain products, all of which could have a ~~significant material and~~ **significant material and** adverse impact on ~~our Applied's~~ **our Applied's** business and results of operations. ~~Applied is~~ **We are** exposed to risks related to cybersecurity threats and incidents. In the conduct of ~~its~~ **our** business, ~~Applied we collects~~ **collect**, ~~uses~~ **use**, ~~transmits~~ **transmit** and, ~~stores~~ **store**, ~~and~~ **and** ~~otherwise process~~ **otherwise process** data ~~on using~~ **on using** information technology systems, including systems owned and maintained by ~~Applied us or~~ **Applied us or** ~~or our~~ **or our** ~~its~~ **its** third- party providers. These data include confidential information and intellectual property belonging to ~~Applied us~~ **Applied us** ~~or or our~~ **or or our** ~~its~~ **its** customers or other business partners, ~~and as well as~~ **and as well as** personal information of individuals. All information technology systems are subject to ~~disruption~~ **disruptions**, ~~breach or outages, failure failures~~ **breach or outages, failure failures**, ~~Applied and its~~ **Applied and its** ~~security~~ **security** ~~breaches or incidents. We and our~~ **breaches or incidents. We and our** third- party providers have experienced, and expect to continue to experience, cybersecurity incidents, ~~some of which have been, and may continue to be, successful. These cybersecurity~~ **Cybersecurity** incidents may

range from employee **or contractor** error or misuse or unauthorized use of information technology systems or confidential information, to individual attempts to gain unauthorized access to these information systems, to sophisticated cybersecurity attacks, known as advanced persistent threats, any of which may target **us the Company** directly or indirectly through **its our** third - party providers and global supply chain. **Globally, cybersecurity-Cybersecurity** attacks are increasing in number and the attackers are increasingly organized and well- financed, or at times supported by state actors. **In addition, geopolitical Geopolitical** tensions or conflicts, such as Russia’ s invasion of Ukraine or increasing tension with China, may create a heightened risk of cybersecurity attacks. **To the extent artificial intelligence capabilities improve and are increasingly adopted, they may be used to identify vulnerabilities and craft increasingly sophisticated cybersecurity attacks. Vulnerabilities may be introduced from the use of artificial intelligence by us, our customers, suppliers and other business partners and third- party providers.** Although **we are no not such aware of any** cybersecurity **incident incidents** **has impacting us directly that have** been material to **us the Company** to date, **Applied we continues- continue** to devote significant resources to network security, data encryption, and other measures to protect **its our** systems and data from unauthorized access or misuse, and **it we** may be required to expend greater resources in the future, especially in the face of **continuously- evolving and increasingly sophisticated cybersecurity threats and laws, regulations, and other actual and asserted obligations to which we are or may become subject relating to** privacy **and, data protection laws, and cybersecurity**. **Applied We** may be unable to anticipate, prevent, or remediate future attacks, **vulnerabilities, breaches, or incidents**, and in some instances **Applied we** may be unaware of a **vulnerabilities or** cybersecurity **breaches or incident incidents** or **its their** magnitude and effects, particularly as attackers are becoming increasingly able to circumvent controls and remove forensic evidence. **Depending on their nature and scope, cybersecurity-Cybersecurity** incidents may result in business disruption **; such as** delay in the development and delivery of **our Applied’ s** products **or;** disruption of **our Applied’ s** manufacturing processes, internal communications, interactions with customers and suppliers and processing and reporting financial results; the theft or misappropriation of intellectual property; corruption, loss of, or inability to access (e. g., through ransomware or denial of service) confidential information and critical data (i. e., that of **Applied our company** and **its our** third - party providers and customers); reputational damage; **private claims, demands, and** litigation or regulatory **investigations, enforcement action actions , or other proceedings** related to contractual or regulatory privacy, cybersecurity, data protection, or other confidentiality obligations; diminution in the value of **our Applied’ s** investment in research, development and engineering; and increased costs associated with the implementation of cybersecurity measures to detect, deter, protect against, and recover from such incidents. **Compliance Our efforts to comply** with, and changes to, laws **and, regulations , and contractual and other actual and asserted obligations** concerning privacy, cybersecurity, and data protection, including developing restrictions on cross- border data transfer **and data localization** , could result in significant expense, and any **actual or alleged** failure to comply could result in **inquiries, investigations, and other** proceedings against **Applied us** by regulatory authorities or other third parties. **Further, customers-Customers** and third- party providers increasingly demand rigorous contractual provisions regarding privacy, cybersecurity, data protection, confidentiality, and intellectual property, which may **also** increase our overall compliance burden. **Applied is We are** exposed to risks associated with business combinations, acquisitions, strategic investments and divestitures. **Applied We may engages- engage** in acquisitions of or investments in companies, technologies or products in existing, related or new markets **for Applied-** . Business combinations, acquisitions and investments involve numerous risks to **our Applied’ s** business, financial condition and operating results, including **but not limited to:** • inability to complete proposed transactions timely or at all due to the failure to obtain regulatory or other approvals, litigation or other disputes, and any ensuing obligation to pay a termination fee; • diversion of management’ s attention and disruption of ongoing businesses; • the failure to realize expected revenues, gross and operating margins, net income and other returns from acquired businesses; • requirements imposed by government regulators in connection with their review of a transaction, which may include, among other things, divestitures and restrictions on the conduct of **our Applied’ s** existing business or the acquired business; • following completion of acquisitions, ineffective integration of businesses, operations, systems, digital and physical security, technologies, products, employees, compliance programs, changes in laws or regulations, including tax laws, or other factors, may impact the ability to realize anticipated synergies or other benefits; • failure to commercialize technologies from acquired businesses or developed through strategic investments; • dependence on unfamiliar supply chains or relatively small supply partners; • inability to capitalize on characteristics of new markets that may be significantly different from **our Applied’ s** existing markets and where competitors may have stronger market positions and customer relationships; • failure to retain and motivate key employees of acquired businesses; • the **potential** impact of the announcement or consummation of a proposed transaction on relationships with third parties; • **potential** changes in **our Applied’ s** credit rating, which could adversely impact **our the Company’ s** access to and cost of capital; • **reductions in cash balances or** increases in debt obligations to finance activities associated with a transaction, which increase interest expense, and reductions in cash balances, which reduce the availability of cash flow for general corporate or other purposes, including share repurchases and dividends; • exposure to new operational risks, rules, regulations, worker expectations, customs and practices to the extent acquired businesses are located in regions where **Applied has we have** not historically conducted business; • challenges associated with managing new, more diverse and more widespread operations, projects and people; • inability to obtain and protect intellectual property rights in key technologies; • inadequacy or ineffectiveness of an acquired company’ s internal financial controls, disclosure controls and procedures, cybersecurity, privacy policies and compliance programs, or environmental, health and safety, anti- corruption, human resource, or other policies or practices; • impairment of acquired intangible assets and goodwill as a result of changing business conditions, technological advancements or worse- than- expected performance of the segment; • the risk of litigation or claims associated with a proposed or completed transaction; • unknown, underestimated, undisclosed or undetected commitments or liabilities **, including potential intellectual property infringement claims,** or non- compliance with laws, regulations or policies; and • the inappropriate scale of acquired entities’ critical resources

or facilities for business needs. ~~We Applied also makes~~ **make** investments in other companies, including companies formed as joint ventures, which may decline in value or not meet desired objectives. The success of these investments depends on various factors over which ~~Applied we~~ may have limited or no control and, particularly with respect to joint ventures, requires ongoing and effective cooperation with partners. In addition, new legislation, additional regulations or global economic or political conditions may affect or impair our ability to invest in certain countries or require us to obtain regulatory approvals to do so. ~~Applied We~~ may not receive the necessary regulatory approvals or the approvals may come with significant conditions or obligations. The risks to **our Applied's** investment portfolio may be exacerbated by unfavorable financial market and macroeconomic conditions and, as a result, the value of the investment portfolio could be negatively impacted and lead to impairment charges. ~~We Applied continually assesses the strategic fit of its businesses and may from time to time seek to divest portions of its our business that are not deemed to fit with its our strategic plan. Some divestitures Divestitures may take the form of Applied contributing assets to a joint venture, and thus are subject to the joint venture risks discussed above. In addition, divestitures involve significant additional risks and uncertainties, such as ability to sell such businesses on satisfactory price and terms and in a timely manner (including long and costly sales processes and the possibility of lengthy and potentially unsuccessful attempts by a buyer to receive required regulatory approvals), or at all, disruption to other parts of the businesses and distraction of management, allocation of internal resources that would otherwise be devoted to completing strategic acquisitions, loss of key employees or customers, exposure to unanticipated liabilities (including, among other things, those arising from representations and warranties made to a buyer regarding the businesses) or ongoing obligations to support the businesses following such divestitures, and other adverse financial impacts. The ability to attract, retain and motivate key employees is vital to our Applied's success. Our Applied's success, competitiveness and ability to execute on its global strategies and maintain a culture of innovation depend depends in large part on its our ability to attract, retain and motivate qualified employees and leaders with the necessary expertise and capabilities, representing diverse backgrounds and experiences. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, management or organizational changes, increasing ongoing competition for talent, the availability of qualified employees in the markets, availability of career development opportunities, the ability to obtain necessary authorizations for workers to provide services outside their home countries, and the attractiveness of our Applied's compensation and benefit programs, our career growth including its share-based programs, and Applied's development opportunities, and our employment policies, including the flexibility of its remote work arrangements. We have experienced, and may continue to experience, increasing costs to attract and retain needed talent, driven by macro-economic conditions and a highly competitive labor market. If we are unable to attract, retain and motivate qualified employees and leaders, we may be unable to fully capitalize on current and new market opportunities, which could adversely impact our Applied's business and results of operations. The loss or retirement of employees presents particular challenges to the extent they involve the departure of knowledgeable and experienced employees and the resulting need to identify and train existing or new candidates to perform necessary functions, which may result in unexpected costs, reduced productivity, and/or difficulties with respect to internal processes and controls. We Applied is exposed to risks associated with operating operate in jurisdictions with complex and changing tax laws. Applied is We are subject to income taxes in the United States and foreign jurisdictions. Significant judgment is required to determine and estimate worldwide tax liabilities. Our Applied's provision for income taxes and effective tax rates could be affected by numerous factors, including changes in applicable tax laws, interpretations of applicable tax laws, amount and composition of pre-tax income in jurisdictions with differing tax rates, and valuation of deferred tax assets. Beginning in fiscal 2023, the Tax Cuts and Jobs Act enacted on December 22, 2017 eliminates the option to deduct research and development expenditures currently and requires taxpayers to capitalize and amortize them over five or fifteen years. Although Congress is considering legislation that would defer the capitalization and amortization requirement, there is no assurance that the provision will be repealed or otherwise modified. If the requirement is not modified, it may increase Applied's provision for income taxes and effective tax rates beginning in fiscal 2023. On August 16, 2022, the U. S. government enacted the Inflation Reduction Act, which introduces a new 15% corporate minimum tax and includes an excise tax that would impose a 1% surcharge on stock repurchases, and which may impact Applied's financial results beginning in fiscal 2024 and 2023, respectively. There have been a number of proposed changes in the tax laws that, if enacted, would increase our tax liability. While it is too early to predict the outcome of these proposals, if enacted, they could have a material impact on our provision for income taxes and effective tax rate. An increase in our Applied's provision for income taxes and effective tax rate could, in turn, have a material and adverse impact on our Applied's results of operations and financial condition. For example, several countries where we do business have announced plans to implement global minimum tax regimes based on the Organization for Economic Cooperation and Development Base Erosion and Profit Shifting Project. If implemented, these global minimum tax regimes would change various aspects of the existing framework under which our global tax obligations are determined, which would unfavorably impact our existing tax incentives and effective tax rate. As this framework is subject to further negotiation and implementation by each member country, the timing and ultimate impact of any such changes on our tax obligations are uncertain. Consistent with the international nature of ~~its our~~ business, ~~Applied we~~ **conducts** ~~conduct~~ certain manufacturing, supply chain, and other operations in Asia, bringing these activities closer to customers and reducing operating costs. In ~~certain some~~ foreign jurisdictions, **we must meet certain requirements** conditional reduced income tax rates have been granted to **continue to qualify for Applied**. To obtain the benefit of these tax incentives, ~~Applied must~~. **There is no assurance we will be able to meet such requirements relating in the future to fully various activities. Applied's ability to realize benefits from these incentives. Furthermore, the proposed plans to implement global minimum tax regimes could reduce or eliminate** be materially affected if, among other -- ~~the~~ things, applicable requirements **benefits of our tax incentives. We** are not met or Applied incurs net losses in these jurisdictions. In addition, Applied is subject to examination by the U. S. Internal Revenue Service and other tax authorities, and from time to time amends~~

- **amend** previously filed tax returns. **Applied-We** regularly assesses-- **assess** the likelihood of favorable or unfavorable outcomes resulting from these examinations and amendments to determine the adequacy of **its-our** provision for income taxes, which requires estimates and judgments. Although **Applied-we** believes- **believe its-our** tax estimates are reasonable, there can be no assurance ~~that~~ the tax authorities will agree with such estimates. **Applied-We** may have to engage in litigation to achieve the results reflected in the estimates, which may be time- consuming and expensive. There can be no assurance that **Applied-we** will be successful or that any final determination will not be materially different from the treatment reflected in **our** **Applied's** historical income tax provisions and effective tax rates. **Our** **Applied's** indebtedness and debt covenants could adversely affect **its-our** financial condition and business. **Applied** has **As of October 29, 2023, we had** \$ 5. 5 billion in aggregate principal amount of senior unsecured notes outstanding. Under the indenture governing the senior unsecured notes, **it-we** may be required to offer to repurchase the notes at a price equal to 101 % of the principal amount, plus accrued and unpaid interest, **upon-if we** **experience** a change of control of **Applied**- and a contemporaneous downgrade of the notes below investment grade. **Applied-We** also **has-have** in place a \$ 1. 5 billion revolving credit facility. While no amounts were outstanding under this credit facility as of October 30-29, 2022-2023, **Applied-we** may borrow amounts in the future under this credit facility **or**- **Applied** may also enter into new financing arrangements. **Our** **Applied's** ability to satisfy **its-our** debt obligations is dependent upon the results of **its-our** business operations and subject to other risks discussed in this section. **Significant changes in Applied's credit rating, disruptions in the global financial markets or changes in the interest rate environment could have a material adverse consequence on Applied's access to and cost of capital for future financings, and financial condition.** If **Applied-we** fails- **fail** to satisfy **its-our** debt obligations, or comply with financial and other debt covenants, **it-we** may be in default and any borrowings may become immediately due and payable, and such default may **also**- constitute a default under **our** other **of** **Applied's** obligations. There can be no assurance that **Applied-we** would have sufficient financial resources or be able to arrange financing to repay any borrowings at such time. **Significant changes in our credit rating, disruptions in the global financial markets, or incurrence of new or refinancing of existing indebtedness at higher interest rates could have a material and adverse impact on our access to and cost of capital for future financings, and financial condition**. The failure to successfully implement enterprise resource planning and other information systems changes could adversely impact **our** **Applied's** business and **operating** results of operations. **Applied-We** periodically implements- **implement** new or enhanced enterprise resource planning and related information systems in order to better manage **its-our** business operations, align **its-our** global organizations and enable future growth. Implementation of new business processes and information systems requires the commitment of significant personnel, training and financial resources, and entails risks to **our** **Applied's** business operations. If **Applied** does- **we do** not successfully implement enterprise resource planning and related information systems improvements, or if there are delays or difficulties in implementing these systems, **Applied-we** may not realize anticipated productivity improvements or cost efficiencies, and may experience interruptions in service and operational difficulties, **such as** its ability to track orders, timely manufacture and ship products, project inventory requirements, effectively manage its supply chain and allocate human resources, aggregate financial data and report operating results, and otherwise effectively manage its business, all of which could result in quality issues, reputational harm, lost market and revenue opportunities, and otherwise adversely affect **our** **Applied's** business, financial condition and results of operations. **Applied-We** may incur impairment charges related to goodwill or long- lived assets. **Applied** has- **We have** a significant amount of goodwill and other acquired intangible assets related to acquisitions. Goodwill and purchased intangible assets with indefinite useful lives are not amortized, but are reviewed for impairment annually during the fourth quarter of each fiscal year, and more frequently when events or changes in circumstances indicate ~~that~~ the carrying value of an asset may not be recoverable. The review compares the fair value for each of **our** **Applied's** reporting units to its associated carrying value, including goodwill. Factors that could lead to impairment of goodwill and intangible assets include adverse industry or economic trends, reduced estimates of future cash flows, declines in the market price of **Applied-our** common stock, changes in **our** **Applied's** strategies or product portfolio, and restructuring activities. **Our** **Applied's** valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and projections of future operating performance. **Applied-We** may be required to record future charges to earnings during the period in which an impairment of goodwill or intangible assets is determined to exist. **We may not continue to declare cash dividends or repurchase our shares. Our ability to continue to pay quarterly dividends and to repurchase our shares is subject to capital availability and periodic determinations by our Board of Directors that cash dividends and share repurchases are in the best interest of our stockholders and are in compliance with applicable laws and agreements. Future dividends and share repurchases may be affected by, among other factors, our cash flow; potential future capital requirements for investments, acquisitions, infrastructure projects, and research and development; changes in applicable tax, corporate, or other laws; contractual restrictions, such as financial or operating covenants in our debt arrangements; and changes to our business model. Our dividend payments and share repurchases may change from time to time, and we cannot provide assurance that we will continue to declare dividends or repurchase shares in any particular amounts or at all. A reduction or suspension in our dividend payments or share repurchases could have a negative effect on the price of our common stock.** Legal, Compliance, and Other Risks **Applied** is- **We are** exposed to various risks related to legal proceedings, claims and investigations. **Applied** from- **From** time to time is- **we are**, and in the future may be, involved in legal proceedings or claims regarding patent infringement, trade secret misappropriation, and other intellectual property rights, trade **compliance**, including import, export and customs, antitrust, environmental regulations, privacy, data protection, securities, contracts, product performance, product liability, unfair competition, employment, workplace safety, and other matters. **We** **Applied** also- may receive, and **has-have** received, inquiries, warrants, subpoenas, and other requests for information in connection with government investigations of potential or suspected violations of law or regulations by **Applied-our company** and / or **its-our** employees. **Applied-We** also on occasion **receives-** **receive notification-** **notifications** from customers who believe **we** that **Applied** owes- **owe** them indemnification, product

warranty or **has have** other obligations related to claims made against such customers by third parties. Legal proceedings, claims, and government investigations, whether with or without merit, and internal investigations, may be time-consuming and expensive to prosecute, defend or conduct; divert management's attention and **our** other **Applied** resources; **constrain our** ~~inhibit Applied's~~ ability to sell **its our** products **and services**; result in adverse judgments for damages, injunctive relief, penalties and fines; and negatively affect **our Applied's** business. **We cannot predict** ~~There can be no assurance regarding the~~ outcome of current or future legal proceedings, claims or investigations. ~~Applied is~~ **We are** exposed to various risks related to the global regulatory environment. **We are** ~~As a public company with global operations, Applied is~~ subject to the laws of the United States and multiple foreign jurisdictions and the rules and regulations of various governing bodies, which may differ among jurisdictions, including those related to financial and other disclosures, accounting standards, corporate governance, intellectual property, tax, trade (including import, export and customs), antitrust, environment, health and safety (including those relating to climate change), employment, immigration and travel regulations, **human rights**, privacy, data protection and localization, and anti-corruption. Changing, inconsistent or conflicting laws, rules and regulations, and ambiguities in their interpretation and application create uncertainty and challenges, and compliance with laws, rules and regulations may be onerous and expensive, divert management time and attention from revenue-generating activities, and otherwise adversely impact **our Applied's** business operations. Violations of law, rules and regulations, including, among others, those related to financial and other disclosures, trade, import and export regulations, antitrust, privacy, data protection, and anti-corruption, could result in fines, criminal penalties, restrictions on **our Applied's** business, and damage to **its our** reputation, and could have an adverse impact on **its our** business operations, financial condition and results of operations. **Our Applied's** environmental, social and governance ~~commitments~~ **strategies and targets** could result in additional costs, and our inability to achieve them could have an adverse impact on our reputation and performance. **We periodically** ~~From time to time Applied communicates~~ **communicate its our** strategies, ~~commitments~~ and targets related to sustainability, carbon emissions, diversity and inclusion, human rights, and other environmental, social and governance matters. These strategies, ~~commitments~~ and targets, **and their underlying assumptions and projections**, reflect **our Applied's** current plans and aspirations, and **Applied we** may be unable to achieve them. Changing customer **and shareholder** sustainability **expectations and regulatory** requirements, as well as **our Applied's** sustainability targets, could cause **us Applied** from time to time to **incur substantial expense and** alter **its our** manufacturing, operations or equipment designs and processes, **and incur substantial additional expense to meet such requirements and targets**. Any failure **or perceived failure** to **timely** meet these sustainability requirements, **expectations** or targets, **or a failure to realize the anticipated benefits of planned investments and technology innovations related to sustainability**, could adversely impact the demand for **our Applied's** products and subject **Applied us** to significant costs and liabilities and reputational risks that could **in turn** adversely affect **our Applied's** business, financial condition and results of operations. In addition, standards and processes for measuring and reporting carbon emissions and other sustainability metrics may change over time, and may result in inconsistent data, or could result in significant revisions to our strategies, ~~commitments~~ and targets, or our ability to achieve them. Any scrutiny of our carbon emissions or other sustainability disclosures ~~or~~, our failure to achieve related strategies, ~~commitments~~ and targets, **or our failure to disclose our sustainability measures consistent with applicable laws and regulations or to the satisfaction of our stakeholders** could negatively impact our reputation or performance. ~~Applied is~~ **We are** subject to risks associated with environmental, health and safety regulations. ~~Applied is~~ **We are** subject to environmental, health and safety regulations in connection with **its our** global business operations, including but not limited to: regulations related to the development **design**, manufacture, sale, shipping and use of **its our** products; **use**, handling, discharge, recycling, **transportation** and disposal of hazardous materials used in **its our** products or in producing **its our** products; the operation of **its our** facilities; and the use of **its our** real property, **including in connection with construction of our infrastructure projects**. The failure or inability to comply with existing or future environmental, health and safety regulations could result in: significant remediation or other legal liabilities; the imposition of penalties and fines; restrictions on the development, manufacture, sale, shipping or use of certain of **its our** products; limitations on the operation of **its our** facilities or ability to use **its our** real property; and a decrease in the value of **its our** real property. ~~Applied We~~ could also be required to alter **our its manufacturing, operations and product design**, **manufacturing, and operations**, and incur substantial expense in order to comply with environmental, health and safety regulations. Any failure to comply with these regulations could subject **Applied us** to significant costs and liabilities that could **materially and** adversely affect **our Applied's** business, financial condition and results of operations. 29-28