



# Annual Report 2021



# Smaller Faster Smarter *Proven.*<sup>TM</sup>

At Lam Research, we challenge assumptions, defy conventions, and push the boundaries of the semiconductor industry. And we're just getting started.

Because as technology gets smaller, we think bigger. We achieve unprecedented collaboration through open communication. We know breakthrough isn't a product; it's a process driven by precision. We don't just speak of the future, we ensure it.

It takes recognizing that the right inputs lead to significant outcomes, then delivering time and time again. It means that when we say a smaller, faster, smarter world can exist, consider it proven.



# A new look that's as modern as *the technology we create*

Our new brand embodies where we're headed. A company where potentials are realized, exacting standards are surpassed, and the future of technology is defined.

## Our Purpose

Unleashing the power of innovation together for a better world.

## Our Mission

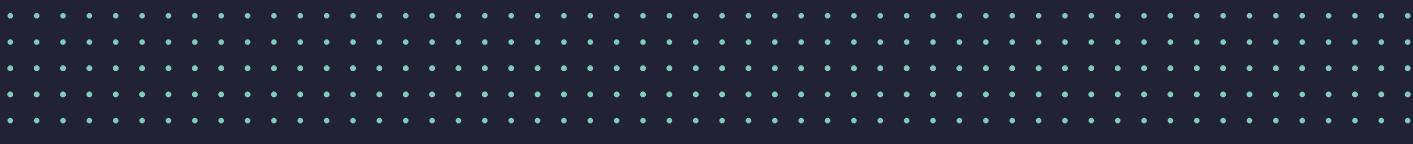
Drive semiconductor breakthroughs that define the next generation.

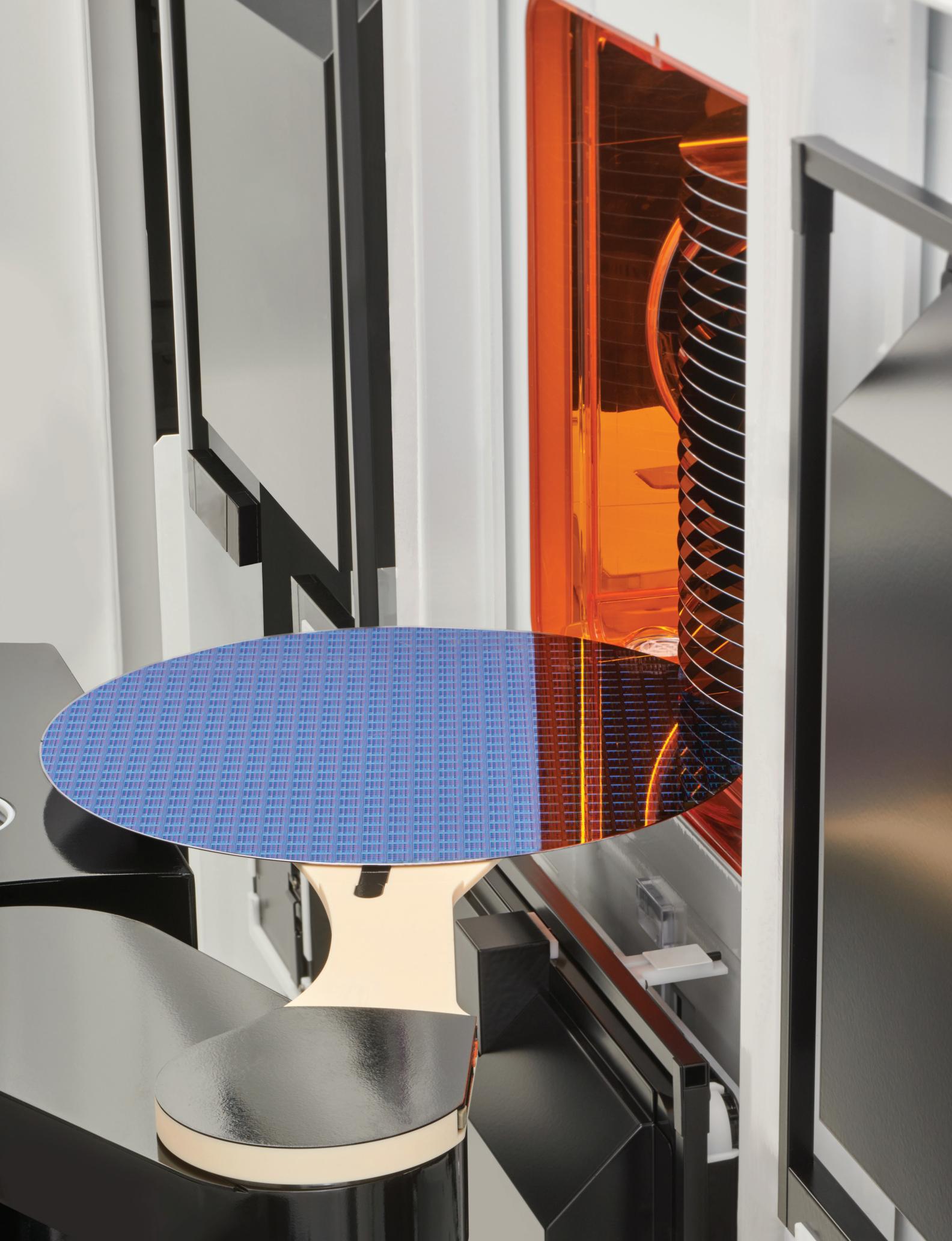
## Guiding Principles

- Think customer, company, and individual
- Be number one in customer trust
- Attract, retain, and develop the best talent
- Deliver best-in-class solutions
- Achieve financial goals to deliver shareholder value
- Act with purpose for a better world

## Core Values

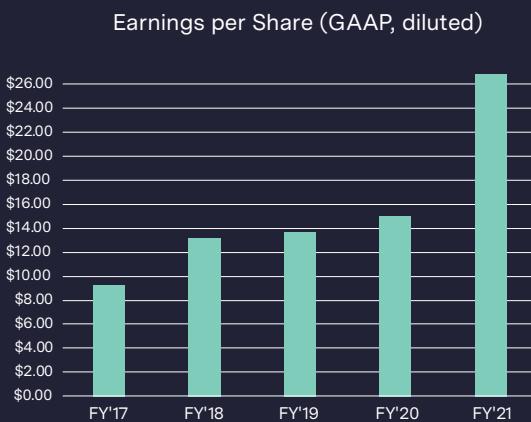
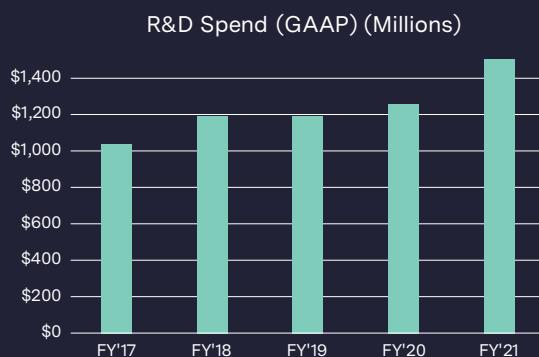
- Achievement
- Agility
- Honesty & integrity
- Inclusion & diversity
- Innovation & continuous improvement
- Mutual trust & respect
- Open communication
- Ownership & accountability
- Teamwork





# When the bar is raised, *Lam Research delivers*

Lam's performance in fiscal year 2021, despite the disruptions of a global pandemic, demonstrates the resiliency of our business, driven by best-in-class products and services, high quality operational execution, and exceptional talent throughout our employee base.



## LETTER TO OUR STOCKHOLDERS

Dear Lam Stockholders,

2021 was another record fiscal year for Lam Research. We achieved the highest revenues, operating income, and earnings per share results in the company's history. Our revenue of \$14.6 billion grew more than 45% from the prior fiscal year with strength across all business units. Profits increased at a significantly higher rate with earnings per share of \$26.90, up more than 70% over our prior fiscal year. This success could not have happened without the unwavering dedication of our employees as well as the collaboration, partnership, and support of our customers and suppliers. We have all demonstrated resiliency through the challenges of the ongoing global pandemic, while pushing forward technology breakthroughs. It has been extraordinary to see our people and everyone we work with rise to these challenges, and we are grateful for their efforts.

Over the last year, we delivered exceptional growth and operational execution at perhaps the most important time in our history. Our industry sits at the center of an incredible transformation of society – in the way we work, live, learn, and interact. Semiconductors have become intrinsically important to the global economy. Broad and growing semiconductor demand will continue to be driven by the proliferation of technologies such as artificial intelligence, high performance computing, 5G networks, and the Internet of Things. As semiconductors become more fundamental to our daily lives, the wafer fabrication equipment that enables production of devices is ever more critical. Rapid digitization of the global economy, combined with rising complexity of semiconductor devices and manufacturing, is expected to drive continued robust equipment investment.

Lam is focused on both next-level innovation and enhanced manufacturing capability to meet the industry's escalating demands. Our deposition and etch products are critical to advancing our customers' technology roadmaps. In the NAND segment, we were the leader in enabling the transition to 3D devices and today hold enduring leadership positions in the most critical deposition and etch applications. In fact, our tools have cumulatively processed over 40 million more wafers than our nearest competition through the three most critical 3D NAND applications. Lam is now applying the expertise acquired in high-volume manufacturing of 3D NAND devices to help customers solve the growing 3D scaling challenges coming to the DRAM and Foundry/Logic segments as well. Our approach to innovation emphasizes collaboration across our ecosystem, and we are intensifying this focus by increasing research and development investments closer to customers, with the aim of accelerating new application development, shortening cycles of learning, and strengthening our understanding of our customers' most difficult problems.

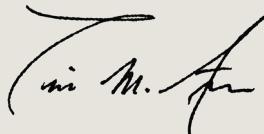
To support the increase in equipment needs from our customers, we have expanded our output capability globally, including our new advanced technology production facility in Malaysia that began operations in July 2021. This new facility enables us to provide additional capacity, ensure business continuity for critical activities, and improve our speed in delivering on customer requirements. Additionally, we expanded operations at our manufacturing facility in Ohio focused on critical spare parts, and we acquired full ownership of a Taiwan joint venture for our non-leading-edge equipment manufacturing.

Innovation and manufacturing must also be backed up with service and support, and we are providing these offerings through our Customer Support Business Group (CSBG). With our installed base at nearly 66,000 chambers exiting the 2020 calendar year, we are seeing outstanding performance in this business. In fiscal year 2021, CSBG produced record levels of revenue across the business, including spares, services, and upgrades. Additionally, the Reliant® systems business within CSBG has enabled our customers to quickly add capacity for mature node devices to meet global semiconductor demand, while setting new quarterly revenue records for ten consecutive quarters. Overall CSBG revenue has continued to grow at a faster pace than installed base chamber growth, and we are focused on innovating in this business, with advanced capabilities in remote servicing, augmented reality, and the Equipment Intelligence® we are building into our products.

Lam is also dedicated to our responsibility to contribute to a better world. That starts with incorporating Environmental, Social, and Governance (ESG) objectives into everything we do. Our seventh annual ESG report was published in 2021, and the report outlines the Company's progress in reducing our environmental footprint, driving a healthy and safe workforce, advancing inclusion and diversity, and contributing positively to our communities. Additionally, we highlighted in our report key ESG priorities over the short and long term and set ambitious climate goals to operate 100% on renewable energy by 2030 and become carbon net zero by 2050. To demonstrate further our commitment to integrate ESG principles into our day-to-day operations, we closed a \$1.5 billion sustainability-linked credit facility, which includes pricing adjustments based on Lam's performance around annual energy savings and maintaining our high standard of employee safety.

This is an incredibly exciting time for our industry. Semiconductors are at the crux of the critical technology transformation that the world is witnessing today, and semiconductor capital equipment is foundational to enabling the creation of the devices that will power the future of advanced technologies. Lam is well-positioned for this tremendous opportunity. Our strength in operational discipline drives consistent, profitable growth, and our commitment to investments in innovation creates value for our customers and ultimately our stockholders. We're delivering cutting-edge technology, investing in infrastructure, expanding our global footprint, and hiring the best talent around the world – all in pursuit of our mission to drive the semiconductor breakthroughs that define the next generation. We appreciate and thank you for your ongoing support.

Sincerely,



Timothy M. Archer  
President and Chief Executive Officer



Abhijit Y. Talwalkar  
Chairman of the Board

September 9, 2021

## INDEPENDENT REGISTERED PUBLIC

### ACCOUNTING FIRM

Ernst & Young LLP

San Jose, California

## TRANSFER AGENT AND REGISTRAR

For a response to questions regarding misplaced stock certificates, changes of address, or the consolidation of accounts, please contact the Company's transfer agent.

Computershare Investor Services  
P.O. BOX 505000

Louisville, Kentucky 40233-5000  
1-877-265-2630

Private Couriers/Registered Mail:

Computershare Investor Services  
462 South 4th Street, Suite 1600  
Louisville, Kentucky 40202

TDD for Hearing Impaired:

1-800-952-9245

Foreign Stockholders:

1-201-680-6578

Website Address:

[www.computershare.com/investor](http://www.computershare.com/investor)

## STOCK LISTING

The Company's common stock is traded on the Nasdaq Global Select Market<sup>SM</sup> under the symbol LRCX. Lam Research Corporation is a Nasdaq-100 Index<sup>®</sup> and S&P 500<sup>®</sup> company.

## INVESTOR RELATIONS

Lam Research Corporation welcomes inquiries from its stockholders and other interested investors. For additional copies of this report or other financial information, please contact:

Investor Relations  
Lam Research Corporation  
4650 Cushing Parkway  
Fremont, California 94538  
1-510-572-1615  
[investor.relations@lamresearch.com](mailto:investor.relations@lamresearch.com)

## ANNUAL MEETING

The Annual Meeting of Stockholders will be held at 2:00 p.m. Pacific Standard Time on Monday, November 8, 2021.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical facts, the statements contained in the Letter to Our Stockholders ("Letter") and this Annual Report ("Report") are forward-looking statements. Forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Certain, but not all, of the forward-looking statements in the Letter and Report are specifically identified as forward-looking by the use of words and phrases such as "aim," "anticipate," "believe," "commitment," "continue," "could," "expect," "future," "goal," "intend," "may," "opportunities," "plan," "should," "vision," "will," and "would." However, our identification of certain statements as forward-looking does not mean that other statements not specifically identified are not forward-looking. Forward-looking statements include,

but are not limited to, statements that relate to: our response to the ongoing global pandemic; our growth, operations, collaboration, investments, profitability, global footprint, and hiring; the importance of and demand for semiconductors, and the factors and technologies driving that demand; the impact of semiconductors on the need for wafer fabrication equipment; the role of semiconductor capital equipment in enabling the creation of devices and the role of such devices in powering the future of advanced technologies; the pace of digitization of the global economy; the complexity of semiconductor devices and manufacturing; the continuation and strength of investments in wafer fabrication equipment purchasing; our ability to innovate, deliver technology, and enhance manufacturing capability; the relevance of our products to our customers' technology roadmaps; our ability to hold leadership positions in critical technology applications; our efforts and abilities to help customers solve scaling challenges and the significance of those challenges; our research and development investments and their proximity to customers; the impacts of our new production facility in Malaysia; the performance of our CSBG business and trends in CSBG revenue; the ability of our Reliant business to enable our customers to add capacity; our goals with respect to renewable energy usage and carbon emissions; and our ability to create value for our customers and stockholders. Such statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value and effect. Some factors that may affect these forward-looking statements include: the severity, magnitude and duration of the COVID-19 pandemic (and the related governmental, public health, business and community responses to it), and their impacts on our business, results of operations and financial condition, are evolving and are highly uncertain and unpredictable; business, political and/or regulatory conditions in the consumer electronics industry, the semiconductor industry and the overall economy may deteriorate or change; supply chain disruptions or manufacturing capacity constraints may limit our ability to manufacture and sell our products; the actions of our customers and competitors may be inconsistent with our expectations; trade regulations, export controls, trade disputes, and other geopolitical tensions may inhibit our ability to sell our products; and widespread outbreaks of illness may impact our operations and revenue in affected areas; as well as the other risks and uncertainties discussed under the headings "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" within Item 1A and at the beginning of Part I, respectively, of our fiscal year 2021 Annual Report on Form 10-K; and other documents we file from time to time with the Securities and Exchange Commission, such as our quarterly reports on Form 10-Q and current reports on Form 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed in this Letter and Report and in ways that are not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the Letter and Report and are based on information currently and reasonably known to us. We do not undertake any obligation to update any forward-looking statements, or to release the results of any revisions to these forward-looking statements, to reflect the impact of anticipated or unanticipated events or circumstances that occur after the date of the Letter and Report.

## TRADEMARK INFORMATION

The Lam Research logo, Lam Research, and all Lam Research product and service names used herein are either registered trademarks or trademarks of Lam Research Corporation or its subsidiaries in the United States and/or other countries. All other marks mentioned herein are the property of their respective holders.



September 28, 2021

Dear Lam Research Stockholders,

We cordially invite you to attend the Lam Research Corporation 2021 Annual Meeting of Stockholders. The annual meeting will be held on Monday, November 8, 2021, at 2:00 p.m. Pacific Standard Time. This year's annual meeting will be a virtual meeting. You may attend the annual meeting, vote, and submit your questions during the live webcast of the annual meeting by visiting [virtualshareholdermeeting.com/LRCX2021](http://virtualshareholdermeeting.com/LRCX2021) and entering the 16-digit control number included in our Notice of Internet Availability or on your proxy card.

At this year's annual meeting, stockholders will be asked to elect the nine nominees named in the attached proxy statement as directors to serve until the next annual meeting of stockholders, and until their respective successors are elected and qualified; to cast an advisory vote to approve our named executive officer compensation, or "Say on Pay"; and to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2022. The Board of Directors recommends that you vote in favor of each director nominee and each of these proposals. Management will not provide a business update during this meeting; please refer to our latest quarterly earnings report for our most recently-provided outlook.

Please refer to the proxy statement for detailed information about the annual meeting, each director nominee, and each of the proposals, as well as voting instructions. **Your vote is important, and we strongly urge you to cast your vote as soon as possible by the internet, telephone, or mail, even if you plan to attend the meeting.**

Sincerely yours,

A handwritten signature in black ink, appearing to read "Abhijit Y. Talwalkar".

Abhijit Y. Talwalkar  
*Chairman of the Board*

# Notice of 2021 Annual Meeting of Stockholders



4650 Cushing Parkway  
Fremont, California 94538  
Telephone: 510-572-0200

## Meeting Information

Category	Details
Date and Time	Monday, November 8, 2021 2:00 p.m. Pacific Standard Time
Place	Via the Internet at <a href="http://virtualshareholdermeeting.com/LRCX2021">virtualshareholdermeeting.com/ LRCX2021</a>
Record Date	Only stockholders of record at the close of business on September 9, 2021, the “Record Date,” are entitled to notice of, and to vote at, the annual meeting.

## Proxy and Annual Report Materials

### IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2021 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD NOVEMBER 8, 2021

Our notice of 2021 Annual Meeting of Stockholders, proxy statement, and annual report to stockholders are available on the Lam Research website at [investor.lamresearch.com](http://investor.lamresearch.com).

### Elect Electronic Delivery *Save Time, Money & Trees*

As part of our efforts to be an environmentally responsible corporate citizen, we encourage Lam stockholders to voluntarily elect to receive future proxy and annual report materials electronically.

- If you are a registered stockholder, please visit [enroll.icsdelivery.com/lrcx](http://enroll.icsdelivery.com/lrcx) for simple instructions.
- If you are a stockholder who owns stock through a broker or brokerage account, please opt for e-delivery at [enroll.icsdelivery.com/lrcx](http://enroll.icsdelivery.com/lrcx) or by contacting your nominee.

## Date of Distribution

This notice, proxy statement and proxy card are first being made available and/or mailed to our stockholders on or about September 28, 2021.

## Items of Business

#	Proposal	Our Board's Recommendation
1.	Election of nine directors to serve until the next annual meeting of stockholders, and until their respective successors are elected and qualified	<input checked="" type="checkbox"/> FOR each Director Nominee
2.	Advisory vote to approve our named executive officer compensation, or “Say on Pay”	<input checked="" type="checkbox"/> FOR
3.	Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2022	<input checked="" type="checkbox"/> FOR

Transaction of such other business as may properly come before the annual meeting (including any adjournment or postponement thereof)

## Voting

Please vote as soon as possible, even if you plan to attend the annual meeting, on all of the voting matters. You have three options for submitting your vote before the annual meeting:



**By internet**



**By phone**



**By mail**

The proxy statement and the accompanying proxy card provide detailed voting instructions.

**IT IS IMPORTANT THAT YOU VOTE** to play a part in the future of the Company. Please carefully review the proxy materials for the 2021 Annual Meeting of Stockholders.

By Order of the Board of Directors,

Ava M. Hahn  
Secretary

# Lam Research Corporation

## Proxy Statement for 2021 Annual Meeting of Stockholders

### TABLE OF CONTENTS

<b>Proxy Statement Summary</b>	1
<b>About Lam Research Corporation</b>	1
Figure 1. Fiscal Year 2021 Financial Highlights	2
Figure 2. Proposals and Voting Recommendations	2
Figure 3. Summary Information Regarding Director Nominees	2
Figure 4. Director Nominee Key Qualifications and Skills Highlights	3
Figure 5. Director Nominee Composition Highlights	4
Figure 6. Corporate Governance Highlights	4
Figure 7. Executive Compensation Highlights	5
Figure 8. ESG Highlights	6
<b>Stock Ownership</b>	7
<b>Security Ownership of Certain Beneficial Owners and Management</b>	7
<b>Governance Matters</b>	9
<b>Corporate Governance</b>	9
Corporate Governance Policies	9
Our Approach to Ensuring Board Effectiveness	9
Board Nomination Policies and Procedures	11
Director Independence Policies	12
Leadership Structure of the Board	12
Other Governance Practices	12
Meeting Attendance	13
Board Committees	13
Board's Role and Engagement	15
Stockholder Engagement	16
Culture and Human Capital Management	17
Environmental, Social and Governance Oversight	18
<b>Director Compensation</b>	19
<b>Compensation Matters</b>	22
<b>Executive Compensation and Other Information</b>	22
Compensation Discussion and Analysis ( <i>see Table of Contents on page 22</i> )	22
Compensation Committee Report	41
Compensation Committee Interlocks and Insider Participation	41
Executive Compensation Tables	42
<b>CEO Pay Ratio</b>	52
<b>Securities Authorized for Issuance under Equity Compensation Plans</b>	52
<b>Audit Matters</b>	54
<b>Audit Committee Report</b>	54
<b>Relationship with Independent Registered Public Accounting Firm</b>	55
Annual Evaluation and Selection of Independent Registered Public Accounting Firm	55
Fees Billed by Ernst & Young LLP	56
Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services	56
<b>Certain Relationships and Related Party Transactions</b>	56
<b>Voting Proposals</b>	57
<b>Proposal No. 1: Election of Directors</b>	57
2021 Nominees for Director	58
<b>Proposal No. 2: Advisory Vote to Approve Our Named Executive Officer Compensation, or "Say on Pay"</b>	65
<b>Proposal No. 3: Ratification of the Appointment of Ernst &amp; Young LLP as our Independent Registered Public Accounting Firm for Fiscal Year 2022</b>	66
<b>Other Voting Matters</b>	66
<b>Voting and Meeting Information</b>	67
Information Concerning Solicitation and Voting	67
Other Meeting Information	68

# Proxy Statement Summary

To assist you in reviewing the proposals to be acted upon at the annual meeting, we call your attention to the following summarized information about the Company, the proposals and voting recommendations, the Company's director nominees, highlights of the directors' key qualifications, skills and experiences, board composition, corporate governance, executive compensation, and environmental, social and governance ("ESG") matters. For more complete information about these topics, please review the complete proxy statement before voting. We also encourage you to read our latest annual report on Form 10-K, which is available at [investor.lamresearch.com](http://investor.lamresearch.com), and our latest ESG report, which is available at [lamresearch.com/company/environmental-social-governance](http://lamresearch.com/company/environmental-social-governance). The content of any website or report referred to in this proxy statement is not a part of nor incorporated by reference in this proxy statement unless expressly noted.

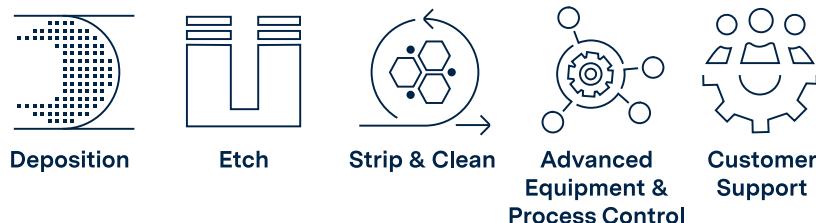
We use the terms "Lam Research," "Lam," the "Company," "we," "our," and "us" in this proxy statement to refer to Lam Research Corporation, a Delaware corporation. We also use the term "Board" to refer to the Company's Board of Directors.

*This proxy statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statements that are not statements of historical fact, including statements regarding our ESG plans and goals. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the expectations expressed, including the risks and uncertainties described in our filings with the U.S. Securities and Exchange Commission ("SEC"), including specifically the Risk Factors described in our annual report on Form 10-K. You should not place undue reliance on forward-looking statements. We undertake no obligation to update any forward-looking statements.*

## About Lam Research Corporation

Lam Research is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. We have built a strong global presence with core competencies in areas like nanoscale applications enablement, chemistry, plasma and fluidics, advanced systems engineering, and a broad range of operational disciplines. Our products and services are designed to help our customers build smaller and better performing devices that are used in a variety of electronic products, including mobile phones, personal computers, servers, wearables, automotive vehicles, and data storage devices.

Our customer base includes leading semiconductor memory, foundry, and integrated device manufacturers that make products such as non-volatile memory, dynamic random-access memory (DRAM), and logic devices. Our customers' continued success is part of our commitment to driving semiconductor breakthroughs that define the next generation. Our core technical competency is integrating hardware, process, materials, software, and process control enabling results on the wafer.



Semiconductor manufacturing, our customers' business, involves the complete fabrication of multiple dies or integrated circuits on a wafer. This involves the repetition of a set of core processes and can require hundreds of individual steps. Fabricating these devices requires highly sophisticated process technologies to integrate an increasing array of new materials with precise control at the atomic scale. Along with meeting technical requirements, wafer processing equipment must deliver high productivity and be cost-effective.

Demand from cloud computing, the Internet of Things, or "IoT," and other markets is driving the need for increasingly powerful and cost-efficient semiconductors. At the same time, there are growing technical challenges with traditional two-dimensional scaling. These trends are driving significant inflections in semiconductor manufacturing, such as the increasing importance of vertical scaling strategies like three-dimensional architectures as well as multiple patterning to enable shrinks.

We believe we are in a strong position with our leadership and competency in deposition, etch, and clean to facilitate some of the most significant innovations in semiconductor device manufacturing. Several factors create opportunity for sustainable differentiation for us: (i) our focus on research and development, with several on-going programs related to sustaining engineering, product and process development, and concept and feasibility; (ii) our ability to effectively leverage cycles of learning from our broad installed base; (iii) our collaborative focus with semi-ecosystem partners; (iv) our ability to identify and invest in the breadth of our product portfolio to meet technology inflections; and (v) our focus on delivering our multi-product solutions with a goal to enhance the value of Lam's solutions to our customers.

Figure 1. Fiscal Year 2021 Financial Highlights

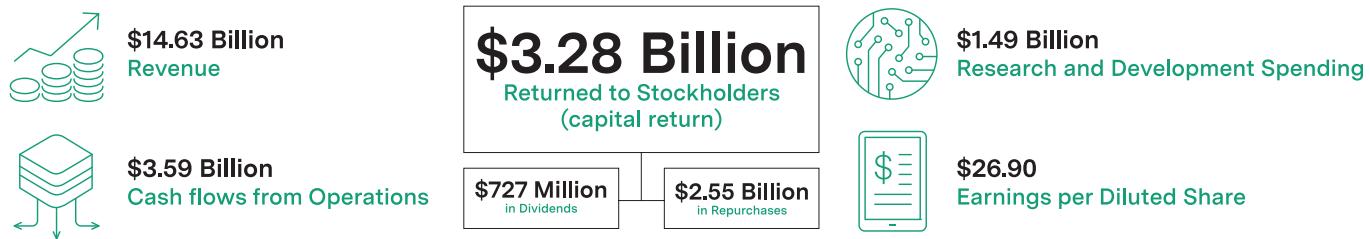


Figure 2. Proposals and Voting Recommendations

Voting Matters	Board Vote Recommendation
<b>Proposal No. 1: Election of Directors</b>	<b>FOR</b> each nominee
<b>Proposal No. 2: Advisory Vote to Approve Our Named Executive Officer Compensation, or “Say on Pay”</b>	<b>FOR</b>
<b>Proposal No. 3: Ratification of the Appointment of Ernst &amp; Young LLP as our Independent Registered Public Accounting Firm for Fiscal Year 2022</b>	<b>FOR</b>
<b>Transaction of such other business as may properly come before the annual meeting (including any adjournment or postponement thereof)</b>	

Figure 3. Summary Information Regarding Director Nominees

You are being asked to vote on the election of these nine directors. The following table provides summary information about each director nominee as of September 9, 2021, and their biographical information is contained in the “Voting Proposals – Proposal No. 1: Election of Directors – 2021 Nominees for Director” section below.

Name	Director			Committee Membership			Other Current Public Boards
	Age	Since	Independent <sup>(1)</sup>	AC	CC	NGC	
Sohail U. Ahmed	63	2019	Yes		M		
Timothy M. Archer	54	2018	No				
Eric K. Brandt	59	2010	Yes	*	C	M	Dentsply Sirona, Macerich, NortonLifeLock
Michael R. Cannon	68	2011	Yes	M/FE		C	Dialog Semiconductor, Seagate Technology
Catherine P. Lego	64	2006	Yes	M/FE		M	Cirrus Logic, Guidewire Software
Bethany J. Mayer	59	2019	Yes	M/FE			Box, Marvell Technology Group, Sempra Energy
Abhijit Y. Talwalkar	57	2011	Yes (Chairman)	*	M	M	Advanced Micro Devices, iRhythm Technologies, TE Connectivity
Lih Shyng (Rick L.) Tsai	70	2016	Yes		M		MediaTek
Leslie F. Varon	64	2019	Yes	C/FE			Dentsply Sirona, Hamilton Lane

<sup>(1)</sup> Independence determined in accordance with Nasdaq rules.

**AC** – Audit committee

**C** – Chair

**CC** – Compensation and human resources committee

**M** – Member

**NGC** – Nominating and governance committee

**FE** – Audit committee financial expert (as determined based on SEC rules)

\* – Qualifies as an audit committee financial expert (as determined based on SEC rules)

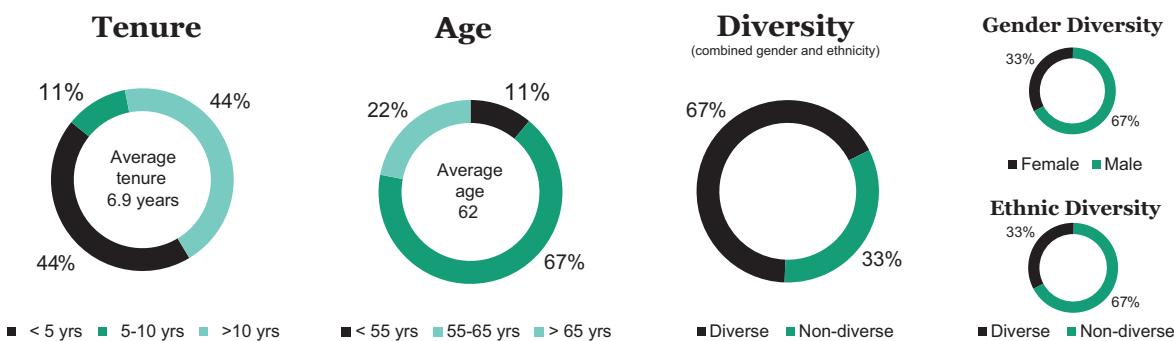
**Figure 4. Director Nominee Key Qualifications, Skills and Experiences Highlights**

The table below summarizes the key qualifications, skills and experiences of our nominees. Not having a mark does not mean the director nominee does not possess that qualification, skill or experience. The director biographies contained in the “*Voting Proposals – Proposal No. 1: Election of Directors – 2021 Nominees for Director*” section below describe each director nominee’s background and relevant experience in more detail, and identifies those qualifications, skills and experiences considered most relevant to the decision to nominate candidates to serve on our Board.

Key Qualifications, Skills & Experiences of Director Nominees	Sohail U. Ahmed	Timothy M. Archer	Eric K. Brandt	Michael R. Cannon	Catherine P. Lego	Bethany J. Mayer	Abhijit Y. Talwalkar	Lih Shyng (Rick L.) Tsai	Leslie F. Varon
<b>Industry Knowledge</b> – Knowledge of and experience with our semiconductor and broader technology industries and markets	X	X	X	X	X	X	X	X	X
<b>Customer/Deep Technology Knowledge</b> – Deep knowledge and understanding of semiconductor processing equipment technologies, including an understanding of our customers’ markets and needs	X	X	X				X	X	
<b>Marketing Experience</b> – Extensive knowledge and experience in business-to-business marketing and sales, and services and/or business development, preferably in a capital equipment industry		X	X	X		X	X	X	
<b>Leadership Experience</b> – Experience as a current or former chief executive officer (“CEO”), president, chief operating officer and/or general manager of a significant business	X	X	X		X	X	X		
<b>Finance Experience</b> – Profit and loss (“P&L”) and financing experience as an executive responsible for financial results of a breadth and level of complexity comparable to the Company		X	X	X	X	X	X	X	X
<b>Global Business Experience</b> – Experience as a current or former business executive of a business with substantial global operations	X	X	X	X	X	X	X	X	X
<b>Mergers and Acquisitions (“M&amp;A”) Experience</b> – M&A and integration experience (including buy- and sell-side and hostile M&A experience) as a public company director or officer		X	X	X	X	X	X	X	X
<b>Board/Governance Experience</b> – Experience with corporate governance requirements and practices	X	X	X	X	X	X	X	X	X
<b>Cybersecurity Expertise</b> – Understanding of and/or experience overseeing corporate cybersecurity programs, and having a history of participation in relevant cyber education			X	X		X	X		
<b>Human Capital Management Experience</b> – Experience serving as a member of the compensation committee of a public company, head of human resources, or as direct manager of the head of human resources, or other experience in setting talent management policies in large organizations, including recruiting, retention, compensation and organizational planning	X	X	X	X	X	X	X	X	
<b>Risk Management Experience</b> – Experience serving as a member of the audit committee of a public company, or directly overseeing enterprise risk management or business continuity planning in a large organization, or other experience in managing risk at the enterprise level or in a senior compliance or regulatory role		X	X	X	X	X	X	X	X

## Figure 5. Director Nominee Composition Highlights

The Board is committed to diversity and the pursuit of board refreshment and balanced tenure. The following charts show the tenure, age and diversity of the director nominees. We also separately present the diversity of the director nominees in terms of gender and ethnic/racial diversity.



## Figure 6. Corporate Governance Highlights

Board and Other Governance Information	As of September 2021
Size of Board as Nominated	9
Number of Independent Nominated Directors	8
Number of Nominated Directors Who Attended $\geq 75\%$ of Meetings	9
Number of Nominated Directors on More Than Four Public Company Boards	0
Number of Nominated Non-Employee Executive Officer Directors Who Are on More Than Two Public Company Boards	0
Limitations on Other Board and Committee Memberships (Page 13)	Yes
Directors Subject to Stock Ownership Guidelines (Page 13)	Yes
Hedging and Pledging Prohibited (Page 9)	Yes
Annual Election of Directors (Page 57)	Yes
Voting Standard (Page 57)	Majority
Plurality Voting Carveout for Contested Elections	Yes
Separate Chair and CEO	Yes
Independent Board Chair (Page 12)	Yes
Independent Directors Meet Without Management Present (Page 12)	Yes
Annual Board (Including Individual Director) and Committee Self-Evaluations (Page 10)	Yes
Annual Independent Director Evaluation of CEO (Page 15)	Yes
Risk Oversight by Full Board and Committees (Pages 15-16)	Yes
Commitment to Board Refreshment and Diversity (Pages 10-11)	Yes
Robust Director Nomination Process (Pages 10-12)	Yes
Significant Board Engagement (Pages 15-16)	Yes
Board Orientation/Education Program (Page 11)	Yes
Code of Ethics Applicable to Directors (Page 9)	Yes
Stockholder Proxy Access (Pages 12, 69-70)	Yes
Stockholder Ability to Act by Written Consent	Yes
Stockholder Engagement Program (Pages 16-17, 27-28)	Yes
Poison Pill	No
Board Oversight of ESG (Pages 14-18)	Yes
Publication of Annual ESG Report on Our Website (Page 19)	Yes

## Figure 7. Executive Compensation Highlights

### What We Do

**Pay for Performance** (Pages 25-27) – Our executive compensation program is designed to pay for performance with 100% of the annual incentive program tied to company financial, strategic, and operational performance metrics; 50% of the long-term incentive program tied to relative total shareholder return (“TSR”) performance; and 50% of the long-term incentive program awarded in stock options and service-based restricted stock units (“RSUs”).

**Three-Year Performance Period for Our Long-Term Incentive Program** (Pages 37-39) – Our current long-term incentive program is designed to pay for performance over a period of three years.

**Absolute and Relative Performance Metrics** (Pages 25-27, 32-39) – Our annual and long-term incentive programs for executive officers include the use of absolute and relative performance factors.

**Balance of Annual and Long-Term Incentives** – Our incentive programs provide a balance of annual and long-term incentives.

**Different Performance Metrics for Annual and Long-Term Incentive Programs** (Pages 25-26, 31-39) – Our annual and long-term incentive programs use different performance metrics.

**Capped Amounts** (Pages 32-38) – Amounts that can be earned under the annual and long-term incentive programs are capped.

**Compensation Recovery/Clawback Policy** (Pages 39-40) – We have a policy pursuant to which we can recover the excess amount of cash incentive-based compensation granted and paid to our officers who are covered by section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

**Prohibit Option Repricing** – Our stock incentive plans prohibit option repricing without stockholder approval.

**Stock Ownership Guidelines** (Page 40) – We have stock ownership guidelines for each of our executive officers and certain other senior executives; each of our named executive officers as set forth in Figure 22 has met their individual ownership level under the current program or has a period of time remaining under the guidelines to do so.

**Independent Compensation Advisor** (Page 29) – The compensation and human resources committee benefits from its utilization of an independent compensation advisor retained directly by the committee that provides no other services to the Company.

**Stockholder Engagement** (Pages 16-17, 27-28) – We engage with stockholders on an annual basis and stockholder advisory firms on an as needed basis to obtain feedback concerning our executive compensation program.

### What We Don't Do

**Tax “Gross-Ups” for Perquisites, for Other Benefits or upon a Change in Control** (Pages 40, 42-43, 47-51) – Our executive officers do not receive tax “gross-ups” for perquisites, for other benefits, or upon a change in control.<sup>(1)</sup>

**Single-Trigger Change in Control Provisions** (Pages 40, 47-49) – Our executive change in control policy does not have single-trigger provisions.

<sup>(1)</sup> Our executive officers may receive tax gross-ups in connection with relocation benefits and anniversary milestone awards, which are widely available to all of our employees.

## Figure 8. ESG Highlights

We have a responsibility to contribute to a better world. When we think beyond our ourselves, we get better results, advance our industry, and empower progress. To that end, we strive to incorporate environmental, social and governance ("ESG") considerations into everything we do – from our operations and workplace practices, to how we source our materials and design our products. Our ESG strategy is composed of six key pillars, which are described in greater detail on pages 18-19 and in our annual ESG report, available at [lamresearch.com/company/environmental-social-governance](https://lamresearch.com/company/environmental-social-governance). We have set goals across five of those six pillars, which are highlighted below, together with our key accomplishments in each area for the 2020 calendar year. We aim to achieve the majority of these goals by 2025, with some exceptions.

ESG Pillar & Strategy	Goals	2020 Accomplishments
<b>Business and Governance</b>	<ul style="list-style-type: none"> <li>Continue to expand our disclosure and alignment with industry-recognized frameworks and standards</li> </ul>	<ul style="list-style-type: none"> <li>Set goals across five ESG strategic pillars</li> <li>Developed two new ethics policies and strengthened global supplier code of conduct</li> <li>Expanded and strengthened our information security program</li> </ul>
<b>Workplace</b>	<ul style="list-style-type: none"> <li>Build on our high-performance culture with best-in-class employee engagement at the top 10% global benchmark as measured by our employee survey</li> <li>Increase number of women and underrepresented employees across the company</li> <li>Maintain a total recordable incident rate (TRIR) below 0.4</li> </ul>	<ul style="list-style-type: none"> <li>Developed an organization-wide inclusion and diversity strategy and plan</li> <li>Enacted global safety protocols, expanded remote work, and provided additional benefits to support our employees through the pandemic</li> <li>Increased our employee engagement survey score, which accounts for areas of our culture including inclusion, diversity, and respectful treatment</li> </ul>
<b>Responsible Supply Chain</b>	<ul style="list-style-type: none"> <li>Achieve more than 90% compliance rate with our social and environmental expectations across our top tier suppliers</li> <li>Engage with at least 50% of our top tier suppliers on environmental sustainability opportunities</li> <li>Increase engagement with all suppliers on social and environmental topics through assessment, training, and capacity building</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced our Global Supplier Code of Conduct by integrating additional compliance requirements</li> <li>Established a global strategic framework for responsible supply chain and developed our 2025 goals</li> <li>Released a new supplier survey focused on environmental sustainability</li> </ul>
<b>Sustainable Operations</b>	<ul style="list-style-type: none"> <li>Achieve 100% renewable energy globally by 2030</li> <li>Reduce absolute scope 1 and 2 greenhouse gas (GHG) emissions 25% from a 2019 baseline</li> <li>Achieve net zero carbon emissions by 2050</li> <li>Achieve 12 million kWh in energy savings</li> <li>Achieve zero waste to landfill for hazardous waste</li> <li>Achieve 17 million gallons of water savings (15%) in water-stressed regions</li> </ul>	<ul style="list-style-type: none"> <li>Achieved more than 2 million kWh savings through energy efficiency</li> <li>Completed waste audits at our sites in California, Oregon, and Ohio</li> <li>Decreased the total global amount of hazardous waste disposed to landfill</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>Determine key targets for larger scale impact aligned to a new strategic focus</li> <li>Implement measurement of outcomes for key program and large-scale grants</li> <li>Increase community program unique employee participation rate from 10% to 30%</li> <li>Increase volunteer hours by 33%</li> </ul>	<ul style="list-style-type: none"> <li>Committed \$7 million to support our communities through the COVID-19 pandemic</li> <li>Contributed more than \$3 million in support for non-profit organizations outside of our COVID-19 response</li> <li>Directed approximately \$1 million to support social justice initiatives</li> </ul>

# Stock Ownership

## Security Ownership of Certain Beneficial Owners and Management

The table below sets forth the beneficial ownership of shares of Lam common stock by: (1) each person or entity who we believe, based on our review of filings made with the SEC, beneficially owned more than 5% of Lam's common stock on the date set forth below; (2) each current director of the Company; (3) each NEO identified below in the *"Compensation Matters – Executive Compensation and Other Information – Compensation Discussion and Analysis"* section; and (4) all current directors and current executive officers as a group. With the exception of 5% owners, and unless otherwise noted, the information below reflects holdings as of September 9, 2021, which is the Record Date for the 2021 Annual Meeting of Stockholders and the most recent practicable date for determining ownership. For 5% owners, holdings are as of the dates of their most recent ownership reports filed with the SEC, which are the most practicable dates for determining their holdings. The percentage of the class owned is calculated using 140,802,727 as the number of shares of Lam common stock outstanding on September 9, 2021.

Figure 9. Beneficial Ownership Table

Name of Person or Identity of Group	Shares Beneficially Owned (#) <sup>(1)</sup>	Percentage of Class
<b>5% Stockholders</b>		
The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	11,640,096 <sup>(2)</sup>	8.27%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	11,293,118 <sup>(3)</sup>	8.02%
FMR LLC 245 Summer Street Boston, MA 02210	8,898,166 <sup>(4)</sup>	6.32%
<b>Directors</b>		
Sohail U. Ahmed	1,754	*
Timothy M. Archer (also a Named Executive Officer)	90,769	*
Eric K. Brandt	27,475	*
Michael R. Cannon	17,370	*
Catherine P. Lego	49,378	*
Bethany J. Mayer	1,750	*
Abhijit Y. Talwalkar	14,802	*
Lih Shyng (Rick L.) Tsai	6,150	*
Leslie F. Varon	1,525	*
<b>Named Executive Officers ("NEOs")</b>		
Douglas R. Bettinger	112,029	*
Richard A. Gottscho	22,545	*
Patrick J. Lord	1,941	*
Vahid Vahedi	33,006	*
All current directors and executive officers as a group (16 people)	434,374	*

\* Less than 1%

- (1) Includes shares subject to outstanding stock options that are now exercisable or will become exercisable within 60 days after September 9, 2021, as well as RSUs, that will vest within that time period, as follows:

	Shares
Sohail U. Ahmed	510
Timothy M. Archer	31,072
Eric K. Brandt	510
Michael R. Cannon	510
Catherine P. Lego	510
Bethany J. Mayer	510
Abhijit Y. Talwalkar	510
Lih Shyng (Rick L.) Tsai	510
Leslie F. Varon	510
Douglas R. Bettinger	59,358
Richard A. Gotscho	1,064
Patrick J. Lord	—
Vahid Vahedi	9,446
All current directors and executive officers as a group (16 people)	120,980

The terms of any outstanding stock options that are now exercisable or will become exercisable within 60 days after September 9, 2021, and RSUs that will vest within that time period, are reflected in *“Figure 55. Outstanding Equity Awards at Fiscal Year 2021 Year-End,”* except as described in the following sentences. Scott G. Meikle, Ph.D. and Seshasayee (Sesha) Varadarajan have options covering 6,514 and 9,446 shares, respectively, which are unexercised and exercisable within 60 days of September 9, 2021. The grants for Dr. Meikle and Mr. Varadarajan have terms consistent with the terms reflected in *“Figure 55. Outstanding Equity Awards at Fiscal Year 2021 Year-End.”*

As discussed in *“Governance Matters – Director Compensation”* below, the non-employee directors receive an annual equity award as part of their compensation. These awards generally vest on October 31, 2021, subject to continued service on the board as of that date, with immediate delivery of the shares upon vesting. For 2021, Messrs. Ahmed, Brandt, Cannon, and Talwalkar; Mses. Lego, Mayer and Varon; and Dr. Tsai each received awards of 510 RSUs.

- (2) All information regarding The Vanguard Group (“Vanguard”) is based solely on information disclosed in amendment number nine to Schedule 13G filed by Vanguard with the SEC on February 10, 2021. According to the Schedule 13G filing, of the 11,640,096 shares of Lam common stock reported as beneficially owned by Vanguard as of December 31, 2020, Vanguard did not have sole voting power with respect to any shares, had shared voting power with respect to 250,280 shares, had sole dispositive power with respect to 10,995,496 shares, and had shared dispositive power with respect to 644,600 shares of Lam common stock.
- (3) All information regarding BlackRock Inc. (“BlackRock”) is based solely on information disclosed in amendment number 13 to Schedule 13G filed by BlackRock with the SEC on January 29, 2021 on behalf of BlackRock and certain subsidiaries. According to the Schedule 13G filing, of the 11,293,118 shares of Lam common stock reported as beneficially owned by BlackRock as of December 31, 2020, BlackRock had sole voting power with respect to 9,632,140 shares, did not have shared voting power with respect to any shares, had sole dispositive power with respect to 11,293,118 shares, and did not have shared dispositive power with respect to any shares of Lam common stock.
- (4) All information regarding FMR LLC (“FMR”) is based solely on information disclosed in amendment number one to Schedule 13G filed by FMR with the SEC on February 8, 2021 on behalf of FMR, Abigail P. Johnson, certain of FMR’s subsidiaries and affiliates, and other companies. According to the Schedule 13G filing, of the 8,898,166 shares of Lam common stock reported as beneficially owned by FMR as of December 31, 2020, FMR had sole voting power with respect to 1,046,371 shares, did not have shared voting power with respect to any shares, had sole dispositive power with respect to 8,898,166 shares, and did not have shared dispositive power with respect to any shares of Lam common stock.

# Governance Matters

## Corporate Governance

Our Board and members of management are committed to responsible corporate governance to manage the Company for the long-term benefit of its stockholders. To that end, the Board and management periodically review and update, as appropriate, the Company's corporate governance policies and practices. As part of that process, the Board and management consider the requirements of federal and state law, including rules and regulations of the SEC; the listing standards for the Nasdaq Global Select Market ("Nasdaq"); published guidelines and recommendations of proxy advisory firms; published guidelines of some of our top stockholders; published guidelines of other selected public companies; and any feedback we receive from our stockholders. A list of key corporate governance practices is provided in the "Proxy Statement Summary" above.

## Corporate Governance Policies

We have instituted a variety of policies and procedures to foster and maintain responsible corporate governance, including the following:

Figure 10. Policies and Procedures Summary

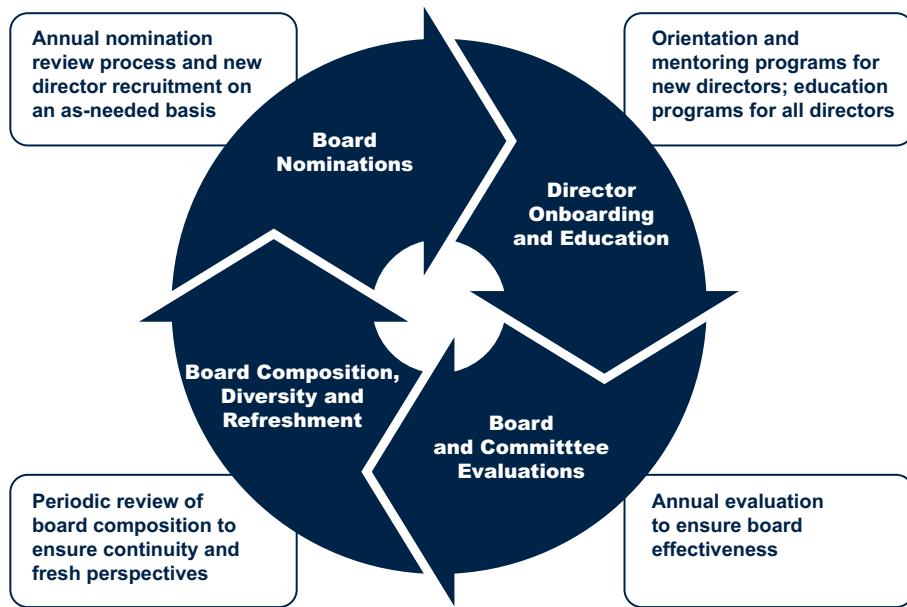
Policy or Procedure	Summary
<b>Board committee charters*</b>	Each of the Board's audit, compensation and human resources, and nominating and governance committees has a written charter adopted by the Board that delegates authority and responsibilities to the committee. Each committee reviews its charter, and the nominating and governance committee reviews the charters of all of the committees, annually and recommends changes to the Board, as appropriate. See " <i>Board Committees</i> " below for additional information regarding these committees.
<b>Corporate governance guidelines*</b>	We adhere to written corporate governance guidelines, adopted by the Board and reviewed annually by the nominating and governance committee and the Board. Selected provisions of the guidelines are discussed below, including in the " <i>Board Nomination Policies and Procedures</i> ," " <i>Director Independence Policies</i> ," and " <i>Other Governance Practices</i> " sections below.
<b>Corporate Code of Ethics*</b>	We maintain a code of ethics that applies to all employees, officers, and members of the Board. The code of ethics establishes standards reasonably necessary to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and full, fair, accurate, timely, and understandable disclosure in the periodic reports we file with the SEC and in other public communications. We will promptly disclose to the public any amendments to, or waivers from, any provision of the code of ethics to the extent required by applicable laws. We intend to make this public disclosure by posting the relevant material on our website, to the extent permitted by applicable laws.
<b>Global Standards of Business Conduct*</b>	We maintain written standards of business conduct to address a variety of situations that apply to our worldwide workforce. Among other things, these global standards of business conduct address relationships and/or conduct with one another, with Lam (including conflicts of interest, safeguarding of Company assets, and protection of confidential information), and with other companies and stakeholders (including anti-corruption).
<b>Insider Trading Policy</b>	Our insider trading policy restricts the trading of Company stock by our directors, officers, and employees, and includes provisions addressing insider blackout periods and prohibiting pledges of Company stock, and prohibiting such persons from engaging in hedging transactions, such as "cashless" collars, forward sales, equity swaps and other similar arrangements. Investments in exchange funds may be permitted on a case-by-case basis if the fund is broadly diversified.

\* A copy is available on the Investors section of our website at [investor.lamresearch.com/corporate-governance](http://investor.lamresearch.com/corporate-governance).

## Our Approach To Ensuring Board Effectiveness

As part of the Board's commitment to responsible corporate governance, we have developed a number of practices that together serve to ensure that, over time, the Board continues to function in an effective manner that serves the long-term interests of the Company and its stockholders. Several of the practices that we consider to be most important are summarized in Figure 11 below, and the practices themselves are described in greater detail below.

Figure 11. Board Effectiveness Practices



**Board and committee evaluations.** Every year, the Board conducts a self-evaluation of the Board, its committees, and the individual directors, overseen by the nominating and governance committee. From time to time, the evaluation is facilitated by an independent third-party consultant. The evaluation solicits the opinions of the directors regarding the effectiveness of the Board, Board committees, and individual directors in fulfilling their obligations. Feedback on Board effectiveness is provided to the full Board for discussion, feedback on each committee's effectiveness is provided to the committee for discussion, and feedback regarding individual director performance is provided to each individual director. The Board and committees identify and hold themselves accountable for action items stemming from the evaluation. The results of the evaluations are also considered by the nominating and governance committee and the Board as part of the director nomination process.

**Board composition, diversity and refreshment.** The Board and the nominating and governance committee regard board refreshment as important, and strive to maintain an appropriate balance of tenure, turnover, diversity, and skills to meet the needs of the Company and the Board. In consideration of the Company's evolving strategic priorities and as part of its refreshment planning, the nominating and governance committee regularly evaluates the Board's composition, skills and experiences, diversity, and committee assignments to ensure that the Board functions effectively. See "*Proxy Statement Summary – Figure 4. Director Nominee Key Qualifications, Skills and Experiences Highlights*" and "*Proxy Statement Summary – Figure 5. Director Nominee Composition Highlights*" for additional information regarding the key qualifications, skills and experiences considered by the Board and the nominating and governance committee in nominating our nominees.

The Board is committed to diversity, and for many years, the composition of the Board has reflected that commitment. The Board believes that board diversity is important to serving the long-term interests of the Company's stockholders. In identifying potential director candidates outside the Company, the nominating and governance committee is committed to actively seeking out qualified candidates who reflect diverse backgrounds, skills and experiences, including diversity of gender, sexual orientation, race and ethnicity, to include in the pool from which Board nominees are chosen, and any third-party search firms retained for a related search will be instructed to include such candidates in initial lists of candidates they prepare. As illustrated in "*Proxy Statement Summary – Figure 5. Director Nominee Composition Highlights*", 67% of our nominees are diverse, either as to gender or as to ethnicity/race. Every year since 2006, the Board has had at least two female directors, and starting in 2019, the total number of female directors increased to three, representing 33% of our nominees. In 2020, we began asking directors to self-identify their ethnicity/race and reporting those metrics, and since that time 33% of our nominees have been diverse with respect to ethnicity/race. In addition, over the last 10 years, the Board has appointed directors who have expanded the experiences, areas of substantive expertise, and geographic and industry diversity of the Board, as illustrated by the information provided in their biographies under "*Voting Proposals – Proposal No. 1: Election of Directors – 2021 Nominees for Director*" below.

The Board is also committed to the pursuit of Board refreshment and balanced tenure. The Board believes that new perspectives and ideas are important to a forward-looking and strategic board, as is the ability to benefit from the valuable experience and familiarity of longer-serving directors who can bring to bear their learnings from their experience with the Company and with the industry and business environment in which the Company operates. Our corporate governance guidelines do not impose a term limit on Board service; however, the Board regularly assesses the directors' tenure mix and strives to maintain a balance that will ensure both fresh perspectives and experience on the Board. In addition, our corporate governance guidelines impose an age limitation for directors to be nominated to the Board, as described below under "*Board Nomination Policies and Procedures – Board Membership Criteria*" below.

The Board also considers refreshment and tenure with respect to the leadership and membership of its standing committees, and the nominating and governance committee evaluates short-term and long-term roadmaps for committee membership and leadership on a regular basis.

**Director onboarding and education.** To ensure that new directors are able to effectively participate in and contribute to the Board as quickly as possible, we provide a comprehensive orientation and onboarding program for our new directors. Upon joining the Board, new directors participate in an orientation program which includes introductions to other Board members and our senior management team, and in depth learning about our industry, business, technology, operations, culture, people, performance, strategic plans, risk management and corporate governance practices, among other topics. The onboarding process also includes tours of one or more of our manufacturing or lab facilities. In addition, each new director is partnered with a longer-tenured director to facilitate their integration into the Board. First time directors (i.e. those without prior public company board experience) are encouraged to attend an outside course shortly after joining the Board.

Our Board is also committed to ongoing education. Our corporate governance guidelines provide that directors are expected to participate in educational events sufficient to maintain their understanding of their duties as directors and to enhance their ability to fulfill their responsibilities. In addition to any external educational opportunities that the directors find useful, the Company and the board leadership are expected to facilitate such participation by arranging for appropriate educational presentations from time to time.

## Board Nomination Policies and Procedures

**Board membership criteria.** Under our corporate governance guidelines, the nominating and governance committee is responsible for recommending nominees to the independent directors, and the independent directors nominate the slate of directors for approval by our stockholders. In making its recommendations, whether for new or incumbent directors, the nominating and governance committee assesses the appropriate balance of experience, skills, and characteristics required for the Board at the time.

Our corporate governance guidelines set out a non-exclusive list of factors to be considered by the nominating and governance committee in recommending nominees, which were selected by the Board to ensure proper board composition and effectiveness. These factors are reviewed and updated by the Board on a regular basis. In May 2021, the factors were updated to include additional diversity attributes. The factors include, but are not limited to:

- experience;
- business acumen;
- wisdom;
- integrity;
- judgment;
- the ability to make independent analytical inquiries;
- the ability to understand the Company's business environment;
- the candidate's willingness and ability to devote adequate time to board duties;
- diversity with respect to any attribute(s) the Board considers appropriate, including geography, gender, sexual orientation, age, and ethnicity or race;
- specific skills, background, or experience considered necessary or desirable for board or committee service;
- specific experiences with other businesses or organizations that may be relevant to the Company or its industry; and
- the interplay of a candidate's experiences and skills with those of other Board members.

In addition, our corporate governance guidelines provide that a director may not be nominated for re-election or reappointment to the Board after having attained the age of 75 years. To be nominated, a new or incumbent candidate must provide an irrevocable conditional resignation that will be effective upon (1) the director's failure to receive the required majority vote at an annual meeting at which the nominee faces re-election and (2) the Board's acceptance of such resignation.

Upon the recommendations of the nominating and governance committee, the independent members of the Board have nominated all of our current directors for re-election to serve on the Board. Each nominee's key qualifications, skills, and attributes considered most relevant to the nomination of the candidate to serve on the Board are reflected in their biography under "*Voting Proposals – Proposal No. 1: Election of Directors – 2021 Nominees for Director*" below. For a summary of the key qualifications, skills, and attributes of the nominees to the Board, see "*Proxy Statement Summary – Figure 4. Director Nominee Key Qualifications, Skills and Experiences Highlights*."

**Nomination procedure.** The nominating and governance committee sets specific qualifications for new directors, and identifies, screens, evaluates, and recommends qualified candidates for appointment or election to the Board. The committee considers recommendations from a variety of sources, including search firms, Board members, executive officers, and stockholders. Nominations for election by the stockholders are made by the independent members of the Board. New candidates to join the Board typically meet with our chair, our lead independent director (if applicable), members of the nominating and governance committee, additional board members, and our president and CEO, as well as representatives of the Company's executive team, prior to being considered for recommendation by the nominating and governance committee for appointment to the Board. See "*Voting Proposals – Proposal No. 1: Election of Directors – 2021 Nominees for Director*" below for additional information regarding the 2021 candidates for election to the Board.

Certain provisions of our bylaws apply to the nomination or recommendation of candidates by a stockholder. For example, our bylaws provide that under certain circumstances, a stockholder, or group of up to 20 stockholders, who have maintained continuous ownership of at least three percent (3%) of our common stock for at least three years may nominate and include a specified number of director nominees in our annual meeting proxy statement that cannot exceed the greater of two or 20% of the aggregate number of directors then serving on the Board (rounded down). Information regarding the nomination procedure is provided in the “*Voting and Meeting Information – Other Meeting Information – Stockholder-Initiated Proposals and Nominations for 2022 Annual Meeting*” section below.

## Director Independence Policies

**Board independence requirements.** Our corporate governance guidelines require that a majority of the Board members be independent. No director will qualify as “independent” unless the Board affirmatively determines that the director qualifies as independent under the Nasdaq rules and has no relationship that would interfere with the exercise of independent judgment as a director. In addition, no non-employee director may serve as a consultant or service provider to the Company without the approval of a majority of the independent directors (and any such director’s independence must be reassessed by the full Board following such approval).

**Board member independence.** The Board has determined that all current directors, other than Mr. Archer, are independent in accordance with Nasdaq criteria for director independence. In making the determination, the Board considered prior employment with the Company, disclosed related party transactions, known familial relationships of directors with employees (not involving immediate family members) and commercial transactions involving other parties with common directorships, none of which qualified as related party transactions or were considered by the Board to interfere with the exercise of independent judgment as a director.

**Board committee independence.** All members of the Board’s audit, compensation and human resources, and nominating and governance committees must be non-employee or outside directors and independent in accordance with applicable Nasdaq criteria as well as Rule 16b-3 of the Exchange Act. See “*Board Committees*” below for additional information regarding these committees.

**Lead independent director.** Our corporate governance guidelines authorize the Board to designate a lead independent director from among the independent members. As described below under “*Leadership Structure of the Board*,” an independent director, Mr. Talwalkar, currently serves as chairman of the Board, and as a result the Board has not designated a lead independent director.

**Executive sessions of independent directors.** The Board and its audit, compensation and human resources, and nominating and governance committees hold meetings of the independent directors and committee members, without management present, as part of each regularly scheduled meeting and at any other time at the discretion of the Board or committee, as applicable.

**Board access to independent advisors.** The Board as a whole, and each standing Board committee separately, has the complete authority to retain, at the Company’s expense, and terminate, in their discretion, any independent consultants, counselors, or advisors as they deem necessary or appropriate to fulfill their responsibilities.

## Leadership Structure of the Board

The Company’s governance framework provides the Board with the authority and flexibility necessary to select the appropriate leadership structure for the Board. In making determinations about the leadership structure, the Board considers many factors, including the specific needs of the business and what is in the best interests of the Company’s stockholders.

Under our corporate governance guidelines, the Board’s leadership structure includes a chair and may also include a separate lead independent director. Currently, Mr. Talwalkar, an independent director, serves as chairman of the Board, and as a result the Board has not designated a lead independent director.

The chair’s duties include (1) preparing the agenda for the Board meetings with input from the CEO, the Board, and the committee chairs; (2) upon invitation, attending meetings of any of the Board committees of which they are not a member; (3) conveying to the CEO, together with the chair of the compensation and human resources committee, the results of the CEO’s performance evaluation; (4) reviewing proposals submitted by stockholders for action at meetings of stockholders and, depending on the subject matter, determining the appropriate body, among the Board or any of the Board committees, to evaluate each proposal, and making recommendations to the Board regarding action to be taken in response to such proposal; (5) as requested by the Board, providing reports to the Board on the chair’s activities; (6) coordinating and developing the agenda for, and moderating executive sessions of the Board’s independent directors; (7) conveying to the CEO, as appropriate, discussions from executive sessions of the Board’s independent directors; and (8) performing such other duties as the Board may reasonably request from time to time.

## Other Governance Practices

In addition to the principal policies and procedures described above, we have established a variety of other practices to enhance our corporate governance, including the following:

**Director resignation or notification of change in executive officer status.** Under our corporate governance guidelines, any director who is also an executive officer of the Company must offer to submit their resignation as a director to the Board if the director ceases to be an executive officer of the Company. The Board may accept or decline the offer, in its discretion. The corporate governance

guidelines also require a non-employee director to notify the nominating and governance committee if the director changes or retires from their executive position at another public company. The nominating and governance committee reviews the appropriateness of the director's continuing Board membership under the circumstances, and the director is expected to act in accordance with the nominating and governance committee's recommendations.

**Limitations on other board and committee memberships.** The Board believes that it is critical that directors dedicate sufficient time to their service on the Board. Under our corporate governance guidelines, Board members may not serve on more than four public company boards (including service on the Company's Board). Non-employee directors who are executive officers at other public companies may not serve on more than two public company boards (including the Company's Board). In addition, non-employee directors may not serve on more than three audit committees of public company boards (including the Company's audit committee), unless approved by the nominating and governance committee. Finally, the Company's CEO may not serve on more than one other public company board.

**Director and executive stock ownership.** Under the corporate governance guidelines, each non-employee director is expected to own at least the lesser of five times the value of the annual cash retainer (not including any committee chair or other supplemental retainers for directors) or 5,000 shares of Lam common stock, by the fifth anniversary of their initial election to the Board. Guidelines for stock ownership by designated members of the executive management team are described below under "*Compensation Matters – Executive Compensation and Other Information – Compensation Discussion and Analysis*." All of our directors and designated members of our executive management team were in compliance with the Company's applicable stock ownership guidelines at the end of fiscal year 2021 or have a period of time remaining under the guidelines to meet the requirements.

**Communications with board members.** Any stockholder who wishes to communicate directly with the Board, with any Board committee, or with any individual director regarding the Company may write to the Board, the committee, or the director c/o Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538. Subject to certain exceptions specified in our corporate governance guidelines, the Secretary will forward communications to the appropriate director(s).

Any stockholder, employee, or other person may communicate any complaint regarding any accounting, internal accounting control, or audit matter to the attention of the Board's audit committee by sending written correspondence by mail (to Lam Research Corporation, Attention: Board Audit Committee, P.O. Box 5010, Fremont, California 94537-5010) or by telephone (855-208-8578) or internet (through the Company's third-party provider website at [www.lamhelpline.ethicspoint.com](http://www.lamhelpline.ethicspoint.com)). The audit committee has established procedures to ensure that employee complaints or concerns regarding audit or accounting matters will be received and treated anonymously (if the complaint or concern is submitted anonymously and if permitted under applicable law).

## Meeting Attendance

Our Board held a total of six meetings during fiscal year 2021. The number of committee meetings held is shown in Figures 12-14. All of the directors attended at least 75% of the aggregate number of Board meetings and meetings of Board committees on which they served during their tenure in fiscal year 2021.

We expect our directors to attend the annual meeting of stockholders each year unless unusual circumstances make attendance impractical. All of the individuals who were directors as of the 2020 annual meeting of stockholders attended that meeting.

## Board Committees

The Board has three standing committees: an audit committee, a compensation and human resources committee, and a nominating and governance committee. The purpose, membership, and charter of each are described below. Copies of each charter are available on the Investors section of our website at [investor.lamresearch.com/corporate-governance](http://investor.lamresearch.com/corporate-governance).

**Figure 12. Audit Committee**

<b>Membership<sup>(1)(2)</sup></b>	<b>Independence<sup>(4)</sup></b>	<b>Meetings in FY2021</b>	<b>Purpose</b>
Michael R. Cannon <sup>(3)</sup> Catherine P. Lego <sup>(3)</sup> Bethany J. Mayer <sup>(3)</sup> Leslie F. Varon (Chair) <sup>(3)</sup>	4 of 4	9	<p>Purpose is to oversee the Company's accounting and financial reporting processes, the Company's Internal Audit Program, its investment policies and performance, its information security (including cybersecurity), its Ethics and Compliance Program, and the audits of our financial statements, including the system of internal controls.</p> <p>As part of its responsibilities, the audit committee reviews and oversees potential conflict of interest situations, transactions required to be disclosed pursuant to Item 404 of Regulation S-K of the SEC, and any other transaction involving an executive or Board member.</p>

(1) As of September 9, 2021.

(2) Each member is able to read and understand fundamental financial statements as required by the Nasdaq listing standards.

(3) Each is an "audit committee financial expert" as defined in the SEC rules.

(4) The Board concluded that all members are non-employee directors who are independent in accordance with the Nasdaq listing standards and SEC rules for audit committee member independence.

**Figure 13. Compensation and Human Resources Committee**

<b>Membership<sup>(1)</sup></b>	<b>Independence<sup>(2)</sup></b>	<b>Meetings in FY2021</b>	<b>Purpose</b>
Sohail U. Ahmed Eric K. Brandt (Chair) Abhijit Y. Talwalkar Lih Shyng (Rick L.) Tsai	4 of 4	6	<p>Purpose is to discharge certain responsibilities of the Board relating to executive compensation; to oversee incentive, equity-based plans, and other compensatory plans in which the Company's executive officers and/or directors participate; to produce an annual report on executive compensation for inclusion as required in the Company's annual proxy statement; and to discharge certain responsibilities of the Board with respect to organization and people matters, including assisting the Board in overseeing ESG matters relating to the Company's workforce.</p> <p>The committee is authorized to perform the responsibilities referenced above and described in its charter.</p>

(1) As of September 9, 2021.

(2) The Board concluded that all members of the compensation and human resources committee are non-employee directors who are independent in accordance with Rule 16b-3 of the Exchange Act and the Nasdaq criteria for director and compensation committee member independence.

Figure 14. Nominating and Governance Committee

Membership <sup>(1)</sup>	Independence <sup>(2)</sup>	Meetings in FY2021	Purpose
Eric K. Brandt Michael R. Cannon (Chair) Catherine P. Lego Abhijit Y. Talwalkar	4 of 4	4	<p>Purpose is to identify individuals qualified to serve as members of the Board of the Company; to recommend nominees for election as directors of the Company; to oversee self-evaluations of the Board's performance; to develop and recommend corporate governance guidelines to the Board; to provide oversight with respect to corporate governance, and to assist the Board in overseeing ESG matters not assigned to other committees.</p> <p>The nominating and governance committee will consider for nomination persons properly nominated by stockholders in accordance with the Company's bylaws and other procedures described below under "<i>Voting and Meeting Information – Other Meeting Information – Stockholder – Initiated Proposals and Nominations for the 2022 Annual Meeting.</i>" Subject to then-applicable law, stockholder nominations for director will be evaluated by the Company's nominating and governance committee in accordance with the same criteria as is applied to candidates identified by the committee or other sources.</p>

<sup>(1)</sup> As of September 9, 2021.

<sup>(2)</sup> The Board concluded that all members of the nominating and governance committee are non-employee directors who are independent in accordance with the Nasdaq criteria for director independence.

## Board's Role and Engagement

**General.** The Board oversees the management of the business and affairs of the Company. In this oversight role, the Board serves as the ultimate decision-making body of the Company, except for those matters reserved for the stockholders. Board agendas facilitate dialogue between the Board and management regarding drivers of long-term stockholder value and key strategic and operational risks. The Board's and its committees' agendas include both regular, recurring topics as well as time for special agenda topics that are scheduled on an as-needed basis by the Board or committee chairs, as applicable.

The Board and its committees have the primary responsibilities for:

- overseeing the Company's business strategies, and approving the Company's capital allocation plans and priorities, annual operating plan, and major corporate actions as set forth in the below sub-bullets;
  - A strategic plan is presented to the Board for discussion on an annual basis;
  - An operating plan is presented to the Board for discussion on an annual basis, and updates are presented at each quarterly Board meeting;
  - Capital allocation plans and priorities are discussed on a quarterly basis; and
  - Other major corporate actions are presented and discussed as part of management updates and as special agenda topics, as appropriate.
- appointing, annually evaluating the performance of, and approving the compensation of our CEO;
- reviewing with our CEO the performance of the Company's other executive officers and approving their compensation;
- reviewing and approving CEO and top leadership succession planning;
- advising and mentoring the Company's senior management;
- overseeing the Company's internal controls over financial reporting and disclosure controls and procedures;
- overseeing the Company's material risks and enterprise risk management processes and programs;
- overseeing the Company's ethics and compliance programs, including the Company's code of ethics, with updates presented to the audit committee quarterly and to the full Board annually;
- overseeing the Company's information security programs, with updates presented to the audit committee quarterly and to the full Board annually;
- overseeing human capital management, with updates presented quarterly to the compensation and human resources committee and the full Board; and
- overseeing ESG, with updates presented to the nominating and governance committee semiannually and the Company's ESG reporting reviewed by the full Board annually.

**Risk Oversight.** The Board is actively engaged in risk oversight. Management regularly reports to the Board on its risk assessments and risk mitigation strategies for the major risks of our business. Generally, the Board exercises its oversight responsibility directly; however, in specific cases, such responsibility has been delegated to committees of the Board. Committees that have been charged with risk

oversight regularly report to the Board on those risk matters within their areas of responsibility. Risk oversight responsibility has been allocated between the Board and its committees as summarized in Figure 15 and described in more detail below.

Figure 15. Risk Oversight

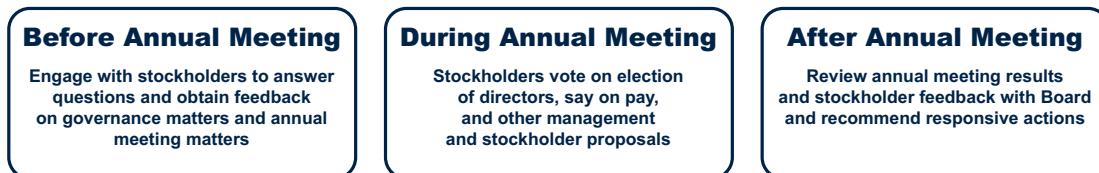


- Our audit committee oversees risks related to the Company's accounting and financial reporting, internal controls, annual financial statement audits, independent registered public accounting firm, internal audit function, related party transactions, ethics and compliance program, investment policy and portfolio, hedging strategies, and tax strategies. The audit committee also oversees our information security program (including cybersecurity), with the responsibility of recommending such Board action as it deems appropriate.
- Our compensation and human resources committee oversees risks related to the Company's equity and executive compensation programs and plans, executive succession plans, employee engagement programs, and ESG matters relating to the Company's workforce, including inclusion and diversity.
- Our nominating and governance committee oversees risks related to corporate governance, board effectiveness, director independence, Board and committee composition, and ESG matters not assigned to other committees.

## Stockholder Engagement

We believe that engagement with our stockholders is an important part of effective corporate governance. Our senior management, including our president and CEO, chief financial officer ("CFO") and members of our Investor Relations team, maintain regular contact with a broad base of investors through quarterly earnings calls, meetings, investor day events, industry conferences and other investor and industry events. In addition, we regularly engage with major stockholders on governance matters, including executive compensation and ESG topics. The outreach is generally conducted outside of our proxy solicitation period and, depending on the topics, includes members of our Legal, Investor Relations and Human Resources functions, and may also include members of the Board. During the proxy solicitation period, we may also engage with our stockholders about topics to be addressed at our annual meeting of stockholders. Our process for engaging with stockholders on governance topics and annual meeting proposals is summarized in Figure 16 below.

Figure 16. Stockholder Governance Engagement Cycle



Through these engagements, we receive valuable input from our stockholders which helps us to evaluate key initiatives from additional perspectives. We share the opinions and information received from our stockholders with the Board. Over the last few years, we have heard from stockholders about their views on subjects such as executive compensation, ESG considerations, culture, leadership transitions, proxy access, returning capital to stockholders, director tenure, board refreshment, director skills and experiences, and board and workforce diversity. Understanding the feedback shared with us, we have adopted proxy access; have maintained our focus on board diversification, board refreshment based on skills and experiences, workforce diversity, and pay for performance; and have enhanced our proxy statement and annual ESG report disclosures.

We engaged in extensive stockholder outreach on governance topics and annual meeting proposals in 2020, both prior to and during the proxy solicitation period, as illustrated in Figure 17 below. We have summarized our governance outreach efforts, and described the topics discussed, in Figure 17 below, as well as in "*Compensation Discussion and Analysis – Overview of Executive Compensation – 2020 Say on Pay Voting Results and Stockholder Outreach*".

Figure 17. 2020 Stockholder Governance Outreach Summary



Topics	What we heard from our stockholders	Our Perspective/How we responded
Corporate governance	Stockholders appreciated the steps we have taken to increase the diversity of our Board and were interested in understanding the Board's refreshment process. Stockholders were interested in better understanding the Board's risk oversight role, including matters related to ESG.	We have enhanced our corporate governance guidelines to further emphasize the Board's commitment to diversity and its expectations for the inclusion of diverse candidates in board candidate searches, and have expanded the factors to be used in selecting board nominees to include additional diversity criteria (see " <i>Our Approach To Ensuring Board Effectiveness</i> " and " <i>Board Nomination Policies and Procedures</i> " on pages 9-12). We have also added additional details regarding the Board's role in overseeing ESG matters (see " <i>Board's Role and Engagement</i> " on pages 15-16 and " <i>Environmental, Social and Governance Oversight</i> " on pages 18-19).
Human Capital Management	Stockholders were interested in understanding the diversity of our workforce and our initiatives in that regard, our approach to assessing employee engagement, compensation measurements, and the impact of the COVID-19 pandemic on our workforce and how we have supported our employees.	We have increased the scope of the workforce diversity disclosure in our ESG report and have published our EEO-1 report for the 2020 calendar year in the ESG section of our website at <a href="http://lamresearch.com/company/environmental-social-governance">lamresearch.com/company/environmental-social-governance</a> . For additional detail regarding our workplace diversity and inclusion initiatives, our approach to employee engagement, and our approach to addressing the impact of the COVID-19 pandemic on our workforce, see " <i>Culture and Human Capital Management</i> " on pages 17-18 and our ESG report available in the ESG section of our website (see address above).
ESG	Stockholders supported our ESG reporting and approach and were interested in understanding how we determine our ESG areas of focus. Certain stockholders were interested in better understanding our supply chain governance.	We continue to enhance our ESG program and reporting. Our most recent annual ESG report for calendar year 2020 describes in detail our process for determining our areas of focus, our overall ESG strategy, the goals we have set, and our progress against those goals. Key to our approach is the integration of ESG principles into day-to-day operations. In our most recent ESG report, we have added additional detail regarding our supply chain and workforce programs.
Executive Compensation	See " <i>Compensation Discussion and Analysis – Overview of Executive Compensation – 2020 Say on Pay Voting Results and Stockholder Outreach</i> " on pages 27-28.	

## Culture and Human Capital Management

We endeavor to be a great place to work globally through a multi-faceted strategy that is rooted in fostering an inclusive and diverse workplace. The Board is actively engaged in overseeing our culture and the management of human capital, both directly and through its compensation and human resources committee. The compensation and human resources committee's responsibilities include organizational and people matters, including reviewing executive officer succession plans as described below, reviewing employee engagement programs, and reviewing and assisting the Board in overseeing ESG matters relating to our workforce, including inclusion and diversity and the workforce portion of our annual ESG report.

One of the Board's primary responsibilities is to oversee the performance, development and succession of our executive talent; however, the Board's involvement in people development extends beyond the executive team. The Board and the compensation and human resources committee engage with management across a broad range of human capital related topics. To support employees' well-being and ensure Lam is a place where everyone feels valued and can do their best work, we have focused on inclusion and diversity; recruitment and development; employee engagement; providing a comprehensive compensation and benefits package; and health and safety. Since calendar year 2020, all of our named executive officers have had compensation goals related to culture, talent, and inclusion and diversity, to help ensure the members of our executive team are aligned with our corporate goals in these areas and are accountable for the results achieved (see "*Compensation Matters – Executive Compensation and Other Information – Compensation Discussion and Analysis*" below for more details).

Since 2019, we have been conducting a series of employee surveys focused on employee engagement, culture, inclusion and diversity, manager effectiveness, well-being, and communications. The surveys provide management and the Board with valuable employee feedback and help ensure the executive leadership team is focused on and held accountable for fostering and promoting a culture and workplace environment that are consistent with Lam's core values and with achieving our human capital goals. Based on employee feedback, we launched an inclusion and diversity program, expanded resources available for professional development, facilitated the creation of additional employee resource groups, created new job rotation and mentoring programs, and expanded our management training offerings.

Throughout the COVID-19 pandemic, our focus and priority have remained on the health, safety, and well-being of our employees. We took a holistic approach in response to the pandemic to safeguard our employees. We implemented health and safety procedures consistent with government guidelines and best practices for the health and safety of on-site workers, enabling staff to work remotely to the extent practicable. We distributed relief and recovery funds to employees, offered enhanced benefits to support the physical, mental and financial health of our employees, and provided other employee assistance programs to those experiencing disruptions due to the pandemic.

The Board believes that visits to Company facilities and direct engagement with employees enable it to judge the Company's cultural journey first-hand. Since 2017, the Board has visited our facilities in Fremont, Livermore, Tualatin, Taiwan and South Korea, and met directly with employees in small groups at all these locations in order to engage with and hear directly from them. Due to the pandemic, these in-person meetings have been paused, and are expected to resume when the circumstances permit.

We are committed to equal opportunity and non-discrimination in our employment practices, including equitable compensation for work performed. The charter of our compensation and human resources committee includes oversight responsibility for our compensation policies and practices related to pay equity laws. We maintain robust employment policies and procedures to reinforce our commitment to equal opportunity, non-discrimination, and pay equity. Our policies and procedures prohibit discrimination, harassment or retaliation in any aspect of employment, including recruiting, hiring, promotion, or compensation.

## Environmental, Social and Governance Oversight

An important part of advancing the industry and empowering progress is being a socially responsible company. Our core values underpin our commitments to sustainable growth and to making a positive contribution to people and the planet. We are committed to responsible and sustainable business practices and continuous improvement in our own operations, in our partnerships with our customers, across our supply chain and in our engagements with our other stakeholders. We invest in ESG across our business and integrate ESG principles into our day-to-day operations. Our ESG strategy is composed of six key pillars, as outlined below. This framework focuses our attention on our most important topics and pressing challenges, while helping us to deliver value to our stakeholders.

**Business and Governance.** Our ESG governance framework is illustrated in Figure 18 below. While our Board is actively engaged in ESG oversight, the nominating and governance committee has the primary responsibility for our ESG priorities. For workforce-related issues, the compensation and human resources committee holds responsibility. The audit committee is responsible for oversight on ethics and compliance and information security. Management provides regular updates to the Board and these committees and engages them to discuss ESG strategy, gain alignment on goals, and report on progress. Our ESG executive steering committee is responsible for guiding our ESG strategy, approving and supporting initiatives, and holding business leaders accountable. Our cross-functional ESG leadership team is responsible for proposing goals, developing and executing strategy, and embedding ESG into our operations management system. In addition, we have topic-specific working groups to address key issues.

Figure 18. Lam's ESG Governance Structure



**Workplace.** As described above in the “Culture and Human Capital Management” section, guided by our core values, we strive to provide a work environment that fosters inclusion and diversity, ensures every voice is heard, and enables employees to achieve their full potential. We aim to maintain a collaborative, supportive, and opportunity-rich culture that enhances innovation and employee engagement. We strive to protect the health and safety of our personnel throughout our entire operation, including our offices, manufacturing sites, research and development (“R&D”) centers, and our field team working at customer sites.

**Community.** We believe that positively involving our employees and giving back to our community is central to our culture and an expression of our core values. Our charitable giving includes employee volunteer hours, the Lam Research Foundation grant program,

and employee donations. Our global philanthropy and volunteerism programs provide financial and human services to improve education and quality of life in the communities in which we operate. As a successful equipment supplier in the technology industry, we encourage students to pursue science, technology, engineering and math, or “STEM,” careers, engage in activities that give young people visibility into careers in the semiconductor industry, and support those students who demonstrate excellence in the STEM fields. We are also committed to creating positive impacts in communities around the world by contributing to local, national, and international organizations that support community needs such as hunger, food and water security, disadvantaged children and senior citizens, health improvement, and environmental protection. As part of our COVID-19 relief and recovery efforts, we have donated funds to our communities for both short-term assistance and longer-term recovery, including a portion dedicated to organizations supporting Black communities that have been disproportionately affected by the pandemic. We have also donated funds in support of initiatives fighting social injustice, by contributing to organizations that are working to end systemic racism through education, reform, and legislation.

**Sustainable Operations.** Incorporating environmental sustainability into business leads to better products, more efficient operations, and added value for our customers. As the world tackles climate change and other critical environmental issues, we seek to do our part by responsibly managing our impact with global goals for energy efficiency, greenhouse gas emissions, water conservation, and waste reduction. We carefully monitor and manage our environmental impact across our business and work to implement cost-effective best practices, focusing our efforts where we believe we can have the biggest long-term impact. We look at impacts from procurement to manufacturing, during R&D and product design, and throughout a product’s lifecycle. We carefully manage our greenhouse gas emissions, set goals, and report progress annually to the CDP (formerly the Carbon Disclosure Project) and through our annual ESG report. We aim to communicate our approach to climate governance, strategy, risk management, metrics, and targets via the framework developed by the Task Force on Climate-Related Financial Disclosures and have been making progress towards achieving that goal.

**Products and Customers.** We develop innovative products and solutions that meet or exceed safety requirements and incorporate energy efficiency features that benefit our customers and the environment. We also strive to extend the life of our products and solutions to enable our customers to realize greater value from our products with a potentially lower environmental impact.

**Responsible Supply Chain.** We understand the importance of an ethical, responsible, resilient, and diverse supply chain, and we engage with our suppliers to address a wide range of issues including human rights, supplier diversity, environmental impact, and mineral sourcing. We are a strong proponent of supply chain-related industry standards and uphold the guidelines published by the Responsible Business Alliance (the “RBA”). Since 2019, Lam has been an affiliate member of the RBA, the world’s largest industry coalition dedicated to corporate responsibility in global supply chains. All of our direct suppliers are expected to adhere to our Global Supplier Code of Conduct, which incorporates the RBA code of conduct and covers topics such as ethics, integrity, transparency, anti-corruption, conflict minerals, human trafficking, environmental sustainability, and social responsibility. Acknowledgment of and consent to adhere to our Global Supplier Code of Conduct is a mandatory requirement of our new supplier onboarding process.

For more information about our ESG efforts, please refer to our annual ESG report available in the ESG section of our website at [lamresearch.com/company/environmental-social-governance](http://lamresearch.com/company/environmental-social-governance). Our ESG report shall not be deemed “filed” with the SEC for purposes of federal securities law, and it shall not, under any circumstances, be incorporated by reference into any of the Company’s past or future SEC filings. The ESG report shall not be deemed soliciting material.

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## Director Compensation

Our director compensation is designed to attract and retain high-caliber directors and to align director interests with those of stockholders. Director compensation is reviewed and determined annually by the Board (and in the case of Mr. Archer, as our president and CEO, his executive compensation is reviewed annually by the independent members of the Board) following a recommendation from the compensation and human resources committee. Non-employee director compensation is described below. Mr. Archer, whose compensation as president and CEO is described below under “*Compensation Matters – Executive Compensation and Other Information – Compensation Discussion and Analysis*,” does not receive additional compensation for his service on the Board.

**Non-employee director compensation.** Non-employee directors receive annual cash retainers and equity awards. The chair of the Board, the lead independent director (if applicable), and committee chairs and members receive additional cash retainers. Non-employee directors who join the Board or a committee mid-year receive pro-rated cash retainers and equity awards, as applicable. Our non-employee director compensation program is based on service during the calendar year; however, SEC rules require us to report compensation in this proxy statement on a fiscal year basis. Cash compensation paid to non-employee directors for the fiscal year ended June 27, 2021, together with the annual cash compensation program components in effect for calendar years 2021 and 2020, is shown below.

Figure 19. Director Annual Retainers

Annual Retainers <sup>(1)</sup>	Calendar Year 2021 (\$)	Calendar Year 2020 (\$)	Fiscal Year 2021 (\$)
Non-employee Director	75,000	75,000	75,000
Chair	130,000	130,000	130,000
Audit Committee – Chair	30,000	30,000	30,000
Audit Committee – Member	12,500	12,500	12,500
Compensation and Human Resources Committee – Chair	20,000	20,000	20,000
Compensation and Human Resources Committee – Member	10,000	10,000	10,000
Nominating and Governance Committee – Chair	15,000	15,000	15,000
Nominating and Governance Committee – Member	5,500	5,500	5,500

<sup>(1)</sup> Each Director is entitled to an annual non-employee director cash retainer. Directors are also entitled to supplemental retainer fees if they have board leadership positions (e.g., chair) and/or are either committee chairs or members.

Each non-employee director also receives an annual equity award on the first Friday following the annual meeting. For the equity awards granted in November 2020, these had a targeted grant date value equal to \$210,000 (the number of RSUs subject to the award is determined by dividing \$210,000 by the closing price of a share of Company common stock as of the date of grant, rounded down to the nearest 10 shares). These awards generally vest on October 31 in the year following the grant and are subject to the terms and conditions of the Company's 2015 Stock Incentive Plan, as amended (the "2015 Plan"), and the applicable award agreements. These awards immediately vest in full: (1) if a non-employee director dies or becomes subject to a "disability" (as determined pursuant to the 2015 Plan), (2) upon the occurrence of a "Corporate Transaction" (as defined in the 2015 Plan), or (3) on the date of the annual meeting, if the annual meeting during the year in which the award was expected to vest occurs prior to the vest date and the non-employee director is not re-elected or retires or resigns effective immediately prior to the annual meeting. Non-employee directors who commence service after the annual equity award has been granted receive on the first Friday following the first regularly scheduled, quarterly Board meeting attended a pro-rated award based on the number of regularly scheduled, quarterly Board meetings remaining in the year as of the effective date of the director's appointment. The pro-rated awards are subject to the same vesting schedule, terms and conditions as the annual equity awards, except that if the award is granted on the first Friday following the regularly scheduled quarterly November Board meeting, the award vests immediately.

On November 6, 2020, each director at such time other than our president and CEO received a grant of 510 RSUs for service during calendar year 2021. Unless there is an acceleration event, these RSUs granted to each current director for service during calendar year 2021 will vest in full on October 31, 2021, subject to the director's continued service on the Board. The following table shows compensation for fiscal year 2021 for persons serving as directors during fiscal year 2021 other than Mr. Archer:

Figure 20. Director Compensation for Fiscal Year 2021

	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	All Other Compensation (\$) <sup>(2)</sup>	Total (\$)
Sohail U. Ahmed	85,000 <sup>(3)</sup>	206,157 <sup>(4)</sup>	—	291,157
Eric K. Brandt	100,500 <sup>(5)</sup>	206,157 <sup>(4)</sup>	—	306,657
Michael R. Cannon	102,500 <sup>(6)</sup>	206,157 <sup>(4)</sup>	—	308,657
Youssef A. El-Mansy <sup>(7)</sup>	—	—	33,278	33,278
Catherine P. Lego	93,000 <sup>(8)</sup>	206,157 <sup>(4)</sup>	31,883	331,040
Bethany J. Mayer	87,500 <sup>(9)</sup>	206,157 <sup>(4)</sup>	—	293,657
Abhijit Y. Talwalkar	220,500 <sup>(10)</sup>	206,157 <sup>(4)</sup>	—	426,657
Lih Shyng (Rick L.) Tsai	85,000 <sup>(11)</sup>	206,157 <sup>(4)</sup>	—	291,157
Leslie F. Varon	105,000 <sup>(12)</sup>	206,157 <sup>(4)</sup>	—	311,157

<sup>(1)</sup> The amounts shown in this column represent the grant date fair value of unvested RSU awards granted during fiscal year 2021 in accordance with Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 718, Compensation – Stock Compensation (“ASC 718”). However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The fair value of RSUs was calculated based on the fair market value of the Company’s common stock at the date of grant, discounted for dividends.

<sup>(2)</sup> Represents the portion of medical, dental and vision premiums paid by the Company.

<sup>(3)</sup> Mr. Ahmed received \$85,000, representing his annual retainers for calendar year 2021 of \$75,000 for service as a director and \$10,000 for service as a member of the compensation and human resources committee.

<sup>(4)</sup> On November 6, 2020, each non-employee director who was on the Board at such time received an annual grant for calendar year 2021 of 510 RSUs based on the \$409.42 per share closing price of Lam’s common stock and the target value of \$210,000, rounded down to the nearest 10 shares. All of these RSUs were outstanding and unvested as of June 27, 2021.

<sup>(5)</sup> Mr. Brandt received \$100,500, representing his annual retainers for calendar year 2021 of \$75,000 for service as a director, \$20,000 for service as the chair of the compensation and human resources committee, and \$5,500 for service as a member of the nominating and governance committee.

<sup>(6)</sup> Mr. Cannon received \$102,500, representing his annual retainers for calendar year 2021 of \$75,000 for service as a director, \$15,000 for service as the chair of the nominating and governance committee, and \$12,500 for service as a member of the audit committee.

<sup>(7)</sup> Dr. El-Mansy retired from the Board effective as of November 1, 2020 and as a result did not receive an annual retainer during fiscal year 2021.

<sup>(8)</sup> Ms. Lego received \$93,000, representing her annual retainers for calendar year 2021 of \$75,000 for service as a director, \$12,500 for service as a member of the audit committee, and \$5,500 for service as a member of the nominating and governance committee.

<sup>(9)</sup> Ms. Mayer received \$87,500, representing her annual retainers for calendar year 2021 of \$75,000 for service as a director and \$12,500 for service as a member of the audit committee.

<sup>(10)</sup> Mr. Talwalkar received \$220,500, representing his annual retainers for calendar year 2021 of \$75,000 for service as a director, \$130,000 for service as chairman, \$10,000 for service as a member of the compensation and human resources committee, and \$5,500 for service as a member of the nominating and governance committee.

<sup>(11)</sup> Dr. Tsai received \$85,000, representing his annual retainers for calendar year 2021 of \$75,000 for service as a director and \$10,000 for service as a member of the compensation and human resources committee.

<sup>(12)</sup> Ms. Varon received \$105,000, representing her annual retainers for calendar year 2021 of \$75,000 for service as a director and \$30,000 for service as the chair of the audit committee.

**Other benefits.** Any members of the Board enrolled in the Company’s health plans on or prior to December 31, 2012, can continue to participate after retirement from the Board in the Company’s Retiree Health Plans. The Board eliminated this benefit for any person who became a director after December 31, 2012. The most recent valuation of the Company’s accumulated post-retirement benefit obligation under ASC 715, Compensation-Retirement Benefits as of June 27, 2021, for eligible directors and the current directors who may become eligible, is shown below. Factors affecting the amount of post-retirement benefit obligation include current age, age at retirement, coverage tier (e.g., single, plus spouse, plus family), interest rate, and length of service.

Figure 21. Accumulated Post-Retirement Benefit Obligations

Name	Accumulated Post-Retirement Benefit Obligation, as of June 27, 2021 (\$)
Sohail U. Ahmed	—
Eric K. Brandt	—
Michael R. Cannon	—
Youssef A. El-Mansy	571,000
Catherine P. Lego	456,000
Bethany J. Mayer	—
Abhijit Y. Talwalkar	—
Lih Shyng (Rick L.) Tsai	—
Leslie F. Varon	—

# Compensation Matters

## Executive Compensation and Other Information

### Compensation Discussion and Analysis

This Compensation Discussion and Analysis (“CD&A”) describes our executive compensation program. Our CD&A discusses compensation earned by our fiscal year 2021 “Named Executive Officers” (“NEOs”), who are as follows:

Figure 22. Named Executive Officers for Fiscal Year 2021

Named Executive Officer	Position(s)
Timothy M. Archer	President and Chief Executive Officer
Douglas R. Bettinger	Executive Vice President and Chief Financial Officer
Richard A. Gottscho	Executive Vice President, Chief Technology Officer
Patrick J. Lord	Executive Vice President, Customer Support Business Group and Global Operations
Vahid Vahedi	Senior Vice President and General Manager, Etch Business Unit

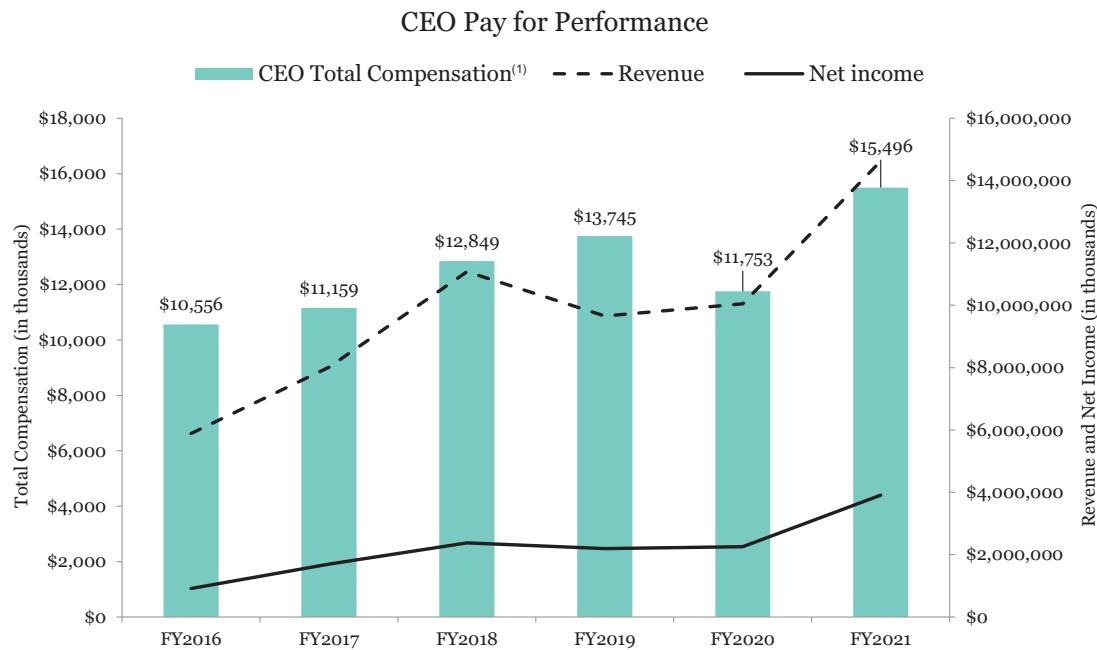
Our CD&A is organized according to the following structure:

<b>Table of Contents</b>		<b>Page</b>
<b>I.</b>	<b>Overview of Executive Compensation</b>	<b>23</b>
	Our Business, Our Industry Environment, and Our Financial Performance . . . . .	24
	Executive Compensation Philosophy and Program Design . . . . .	25
	2020 Say on Pay Voting Results and Stockholder Outreach . . . . .	27
<b>II.</b>	<b>Executive Compensation Governance and Procedures</b>	<b>28</b>
	Role of the Compensation and Human Resources Committee . . . . .	28
	Role Of Committee Advisors . . . . .	29
	Role of Management . . . . .	29
	Peer Group Practices and Survey Data . . . . .	29
	Assessment of Compensation Risk . . . . .	30
	Tax and Accounting Considerations . . . . .	30
<b>III.</b>	<b>Primary Components of NEO Compensation; CY2020 Compensation Payouts; CY2021 Compensation Targets and Metrics</b>	<b>31</b>
	Base Salary . . . . .	31
	Annual Incentive Program . . . . .	31
	Long-Term Incentive Program . . . . .	37
	Compensation Recovery, or “Clawback” Policy . . . . .	39
	Stock Ownership Guidelines . . . . .	40
	Severance/Change in Control Arrangements . . . . .	40
	Other Benefits Not Available to All Employees . . . . .	40

## I. OVERVIEW OF EXECUTIVE COMPENSATION

To align with stockholders' interests, our executive compensation program is designed to foster a pay-for-performance culture and achieve the executive compensation objectives described in "Executive Compensation Philosophy and Program Design – Executive Compensation Philosophy" below. We have structured our compensation program and payouts to reflect these goals. Highlights of our executive compensation program are listed in "Proxy Statement Summary – Figure 7. Executive Compensation Highlights" above. Our president and CEO's compensation in relation to each of our revenue and net income, as well as the Company's cumulative five-year total shareholder return on common stock compared against the cumulative returns of other indices, are shown below.

Figure 23. CEO Pay for Performance for Fiscal Years 2016-2021

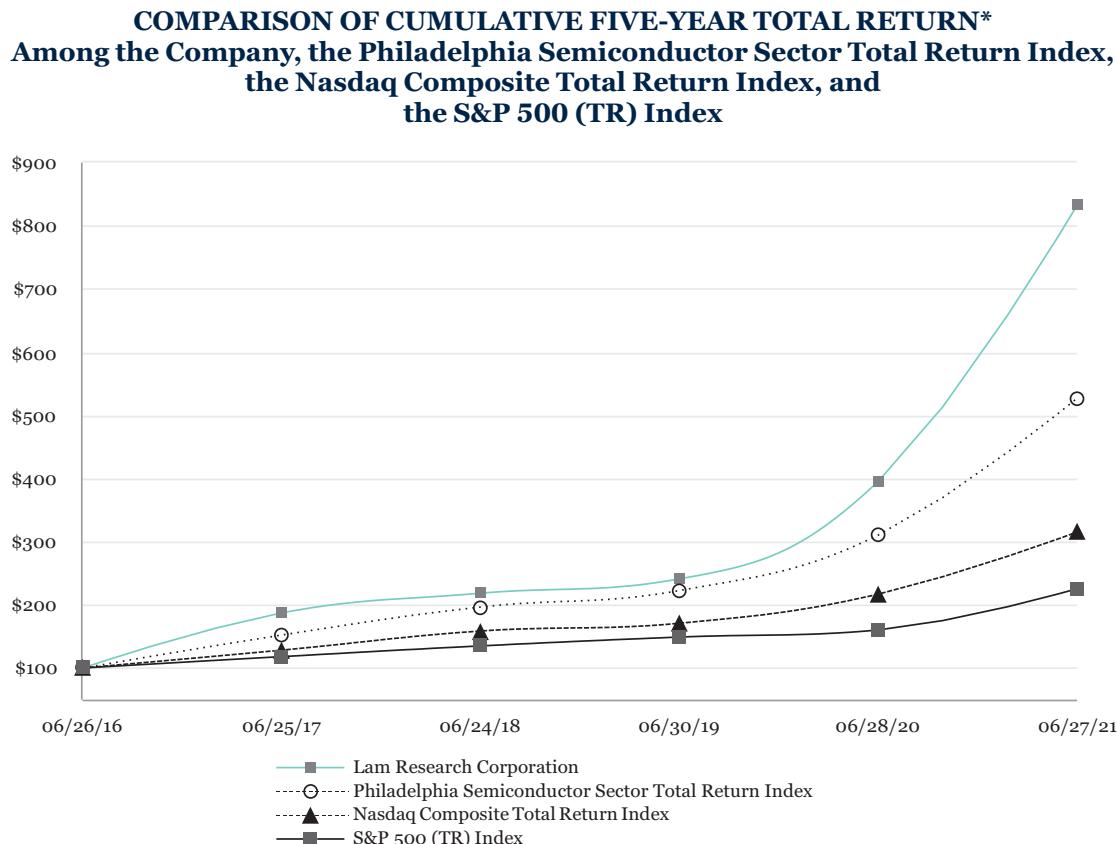


<sup>(1)</sup> "CEO Total Compensation" consists of base salary, annual incentive payments, accrued values of the cash payments under the long-term incentive program when applicable and grant date fair values of equity-based awards both under the long-term incentive program or otherwise, and all other compensation as reported in the "Summary Compensation Table" below.

The CEO Total Compensation for fiscal year 2019 represents Mr. Archer's compensation for service as president and COO until December 5, 2018 and thereafter until the end of the 2019 fiscal year as president and CEO. For years prior to and after fiscal year 2019, the CEO Total Compensation relates to the compensation of the applicable CEO.

The graph below compares Lam's cumulative five-year total shareholder return on common stock with the cumulative total returns of the Nasdaq Composite Total Return Index, the Standard & Poor's ("S&P") 500 (TR) Index, and the Philadelphia Semiconductor Sector Total Return Index. The graph tracks the performance of a \$100 investment in our common stock and in each of the indices (with the reinvestment of all dividends) for the five years ended June 27, 2021.

Figure 24. Comparison of Cumulative Five-Year Total Return



To understand our executive compensation program fully, we believe it is important to understand:

- our business, our industry environment, and our financial performance; and
- our executive compensation philosophy and program design.

### ***Our Business, Our Industry Environment, and Our Financial Performance***

An overview of our business and industry environment is set forth in “Proxy Statement Summary” on page 1.

Although we have a June fiscal year end, our executive compensation program is generally designed and oriented on a calendar year basis to correspond with our calendar year-based business planning. This CD&A generally reflects a calendar year (“CY”) orientation rather than a fiscal year (“FY”) orientation, as shown below. The Executive Compensation Tables at the end of this CD&A are based on our fiscal year, as required by SEC regulations.

Figure 25. Executive Compensation Calendar-Year Orientation



In calendar year 2020, demand for semiconductor equipment increased relative to calendar year 2019, with growth across all segments of the market, and Lam’s global teams displayed resiliency despite the operational challenges presented by the COVID-19 pandemic, enabling the Company to deliver record financial performance.

## Highlights for calendar year 2020:

- achieved revenue of approximately \$11.9 billion for the calendar year, representing a 25% increase over calendar year 2019;
- generated operating cash flow of approximately \$2.3 billion, which represents approximately 20% of revenues; and
- generated sufficient cash flow to support payment of approximately \$686 million in dividends to stockholders.

In the first half of calendar year 2021, wafer fabrication equipment spending has strengthened, driven by increases in semiconductor demand and our customers' technology-oriented investments. We continued to increase our production output levels as we operated under COVID-19-related safety protocols.

In an improved wafer fabrication spending environment, Lam has delivered solid income and cash generation with revenues of \$8.0 billion, and operating cash flows of \$2.6 billion earned from the March and June 2021 quarters combined.

## ***Executive Compensation Philosophy and Program Design***

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### **Executive Compensation Philosophy**

The philosophy of our compensation and human resources committee that guided this year's awards and payout decisions is that our executive compensation program should:

- provide competitive compensation to attract and retain top talent;
- provide total compensation packages that are fair to employees and reward corporate, organizational, and individual performance;
- align pay with business objectives while driving exceptional performance;
- optimize value to employees while maintaining cost-effectiveness to the Company;
- create stockholder value over the long-term;
- align our annual program to annual performance and our long-term program to longer-term performance;
- recognize that a long-term, high-quality management team is a competitive differentiator for Lam, enhancing customer trust/market share and, therefore, stockholder value; and
- provide rewards when results have been demonstrated.

Our compensation and human resources committee's executive compensation objectives are to motivate:

- performance that creates long-term stockholder value;
- outstanding performance at the corporate, organization, and individual levels; and
- retention of a long-term, high-quality management team.

### **Program Design**

Our program design incorporates an annual review of the compensation elements. However, a review can be undertaken whenever there is a change in roles or responsibilities or a new hire joins the Company.

Our program design uses a mix of annual and long-term components, and a mix of cash and equity components. Our executive compensation program includes base salary; an annual incentive program ("AIP"); a long-term incentive program ("LTIP"); promotion, retention and/or new hire awards whenever necessary; as well as stock ownership guidelines and a compensation recovery policy. The primary elements of our executive compensation program are listed in Figure 26 below and are described in more detail in "*III. Primary Components of NEO Compensation; CY2020 Compensation Payouts; CY2021 Compensation Targets and Metrics*" below.

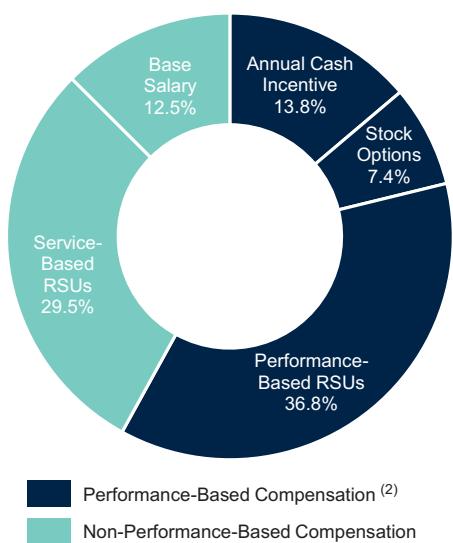
**Figure 26. Compensation Components**

Element	How it is Paid	Purpose/Design
<b>Base Salary</b>	Cash	We believe the purpose of base salary is to provide competitive compensation to attract and retain top talent and to provide employees, including our NEOs, with a fixed and fair amount of compensation for the jobs they perform. Accordingly, we seek to ensure that our base salary levels are competitive in reference to peer group practice and market survey data.
<b>Annual Incentive Program (AIP)</b>	Cash	<p>Our annual incentive program is designed to provide annual, performance-based compensation that is based on the achievement of pre-set annual financial, strategic, and operational objectives aligned with outstanding performance, and will allow us to attract and retain top talent, while maintaining cost-effectiveness to the Company.</p> <p>For more details regarding the design of the annual incentive program, see “III. Primary Components of NEO Compensation; CY2020 Compensation Payouts; CY2021 Compensation Targets and Metrics – Annual Incentive Program” below.</p>
<b>Long-Term Incentive Program (LTIP)</b>	<p>50% market-based performance restricted stock units (“Market-based PRSUs”)</p> <p>50% combination of stock options and service-based RSUs</p>	<p>Our long-term incentive program is designed to attract and retain top talent, provide competitive levels of compensation, align pay with stock performance over a multi-year period, reward our NEOs for outstanding Company performance, and create stockholder value over the long-term.</p> <p>The program design provides that 50% of the target award opportunity is awarded in Market-based PRSUs and the remaining 50% in a combination of stock options and service-based RSUs, with at least 10% of the award in each of these two vehicles. In calendar years 2020 and 2021, the percentages of the LTIP target award opportunity awarded in stock options and service-based RSUs were 10% and 40%, respectively.</p>

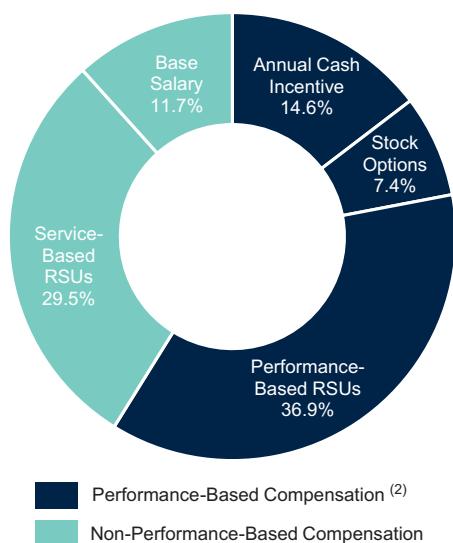
As illustrated below, our program design is weighted toward performance and stockholder value. The performance-based program components include annual incentive program cash payouts and market-based equity and stock option awards under the LTIP.

Figure 27. NEO Compensation Target Pay Mix Averages

**Calendar Year 2020 Average NEO Target Pay Mix  
58% Performance-Based<sup>(1)</sup>**



**Calendar Year 2021 Average NEO Target Pay Mix  
59% Performance-Based<sup>(1)</sup>**



■ Performance-Based Compensation<sup>(2)</sup>  
■ Non-Performance-Based Compensation

■ Performance-Based Compensation<sup>(2)</sup>  
■ Non-Performance-Based Compensation

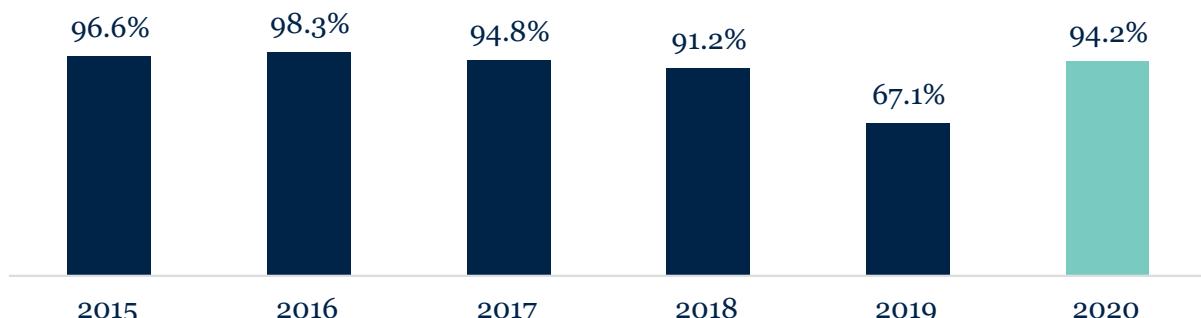
- <sup>(1)</sup> The Company's LTIP design provides that 50% of the target award opportunity is awarded in Market-based PRSUs and the remaining 50% in a combination of stock options and service-based RSUs with at least 10% of the award in each of these two vehicles. In calendar years 2020 and 2021, the percentages of the LTIP target award opportunity awarded in stock options and service-based RSUs were 10% and 40%, respectively. See "III. Primary Components of Named Executive Officer Compensation; Calendar Year 2020 Compensation Payouts; Calendar Year 2021 Compensation Targets and Metrics – Long-Term Incentive Program – Design" for further information regarding the impact of such a target pay mix.
- <sup>(2)</sup> For purposes of this illustration, we include Market-based PRSUs and stock options as performance-based, but do not classify service-based RSUs as performance-based.

## 2020 Say on Pay Voting Results and Stockholder Outreach

We evaluate our executive compensation program and practices at least annually. Among other things, we consider the outcome of our most recent advisory vote on named executive officer compensation, or "Say on Pay," and input we receive from our stockholders. As is described above in more detail in "Governance Matters – Corporate Governance – Stockholder Engagement," we engage regularly with our stockholders, typically outside of our proxy solicitation period, on matters including executive compensation.

The primary components of our executive compensation program have remained consistent over the last several years and in general have received continuing support from our stockholders, as reflected in the voting results for our annual Say on Pay proposals shown in Figure 28 below. In 2019, our Say on Pay proposal received a lower than usual level of support, as a result of which we engaged in extensive stockholder outreach to better understand the views of our stockholders. We believe those engagement efforts, as well as the steps we have taken to address our stockholders' questions and concerns, and improvements we have made to our disclosures regarding our executive compensation program, led directly to the significant increase in support our Say on Pay proposal received in 2020, when stockholders approved the proposal by a vote of 94.2% of votes cast.

Figure 28. Historical Say on Pay Votes<sup>(1)</sup>



- <sup>(1)</sup> Percentages represented are as a percentage of votes cast. Abstentions are treated as votes cast and have the effect of "Against" votes with respect to the Say on Pay proposal.

Figure 29 below summarizes what we heard from our stockholder outreach in 2020 with respect to executive compensation, our perspective on those views, and how we have responded.

**Figure 29. 2020 Executive Compensation Stockholder Outreach**

Topics	What we heard from our stockholders	Our perspective/How we responded
<b>Use and Structure of Special Equity Awards</b>	Some stockholders remained concerned by our issuance, in December 2018, of one time promotion or retention awards to two of our NEOs in connection with a management transition, and in particular, with the structure of these awards, including the lack of performance conditions.	While we view the special equity awards as a one-time supplement to our regular compensation program that served a critical purpose in our management transition, we have clarified that we are committed, going forward, to not granting one-time equity awards to our NEOs without a performance-based component.
<b>Our Annual Incentive Program</b>	Some stockholders would like to see more disclosure relating to the individual performance factor component of the AIP in order to better understand how the program supports pay for performance.	We recognize the need to explain how the individual performance factor component of our AIP is linked to the operating metrics we use to manage our business, and ultimately to our business results and financial performance. We have added extensive detail to explain how the individual performance factor component of our CY2020 AIP was determined.
<b>Our Long-Term Incentive Program</b>	Some stockholders would like us to consider incorporating an additional financial or operational performance-based metric in our LTIP, in addition to our current performance-based metric, which compares our “total return” stock price performance to the performance of an index (described in more detail below).	Our compensation and human resources committee regularly evaluates the structure of our compensation programs, with the assistance of their compensation consultant, to ensure that our programs continue to serve their intended purposes. While to date we have not identified an additional performance factor that the committee believes would improve the design and effectiveness of our LTIP, we continue to evaluate alternative metrics for potential use in our LTIP.

Other than the changes noted above, our compensation and human resources committee determined to maintain our executive compensation program and practices in their current form for calendar year 2021, in light of our stockholders’ continuing support.

## **II. EXECUTIVE COMPENSATION GOVERNANCE AND PROCEDURES**

### ***Role of the Compensation and Human Resources Committee***

Our Board has delegated certain responsibilities to the compensation and human resources committee, or for purposes of this CD&A, the “committee,” through a formal charter. The committee<sup>1</sup> oversees the compensation programs in which our CEO and his direct reports who are executive or senior vice presidents participate. The independent members of our Board approve the compensation packages and payouts for our CEO. Our CEO is not present for any decisions regarding his compensation packages and payouts.

Committee responsibilities include, but are not limited to:

- reviewing and approving the Company’s executive compensation philosophy, objectives, and strategies;
- reviewing and approving the appropriate peer group companies for purposes of evaluating the Company’s compensation competitiveness;
- reviewing, and approving where appropriate, equity-based compensation plans;
- causing the Board to perform a periodic performance evaluation of our CEO;
- recommending to the independent members of the Board corporate goals and objectives under the Company’s compensation plans, compensation packages (e.g., annual base salary level, annual cash incentive award, long-term incentive award and any employment agreement, severance arrangement, change-in-control arrangement, equity grant, or special or supplemental benefits, and any material amendment to any of the foregoing) applicable to our CEO, and compensation payouts for our CEO;
- annually reviewing with our CEO the performance of the Company’s other executive officers in light of the Company’s executive compensation goals and objectives and approving the compensation packages and compensation payouts for such individuals;
- reviewing and recommending for appropriate Board action all cash, equity-based and other compensation packages, and compensation payouts applicable to the chair and other non-employee members of the Board;
- overseeing management’s determination as to whether the compensation policies and practices, including those related to pay equity laws, create risks that are reasonably likely to have a material adverse effect on the Company;
- reviewing the results of “Say on Pay” votes and considering whether any adjustments to the Company’s executive compensation program are appropriate; and
- establishing stock ownership guidelines applicable to the Company’s executive officers and recommending to the Board stock ownership guidelines applicable to the chair and other members of the Board.

<sup>1</sup> For purposes of this CD&A, a reference to a compensation action or decision by the committee with respect to our CEO means an action or decision by the independent members of our Board after considering the recommendation of the committee and, in the case of all other NEOs, an action or decision by the committee.

The committee is authorized to delegate its authority and responsibilities as it deems proper and consistent with legal requirements to its members, any other committee of the Board and/or one or more officers of the Company, in accordance with the provisions of the Delaware General Corporation Law. For additional information on the committee's responsibilities and authorities, see "Governance Matters – Corporate Governance – Board Committees – Compensation and Human Resources Committee" above.

In order to carry out these responsibilities, the committee receives and reviews information, analyses, and proposals prepared by our management and by the committee's compensation consultant (see "Role of Committee Advisors" below).

## **Role of Committee Advisors**

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The committee is authorized to engage its own independent advisors to assist in carrying out its responsibilities. The committee has engaged the services of Compensia, Inc. ("Compensia"), a national compensation consulting firm, as the committee's compensation consultant. Compensia provides the committee with independent and objective guidance regarding the amount and types of compensation for our chair, non-employee directors, and executive officers, and how these amounts and types of compensation compare to other companies' compensation practices, as well as guidance on market trends, evolving regulatory requirements, compensation of our non-employee directors, peer group composition, and other matters as requested by the committee.

Representatives of Compensia regularly attend committee meetings (including executive sessions without management present), communicate with the committee chair outside of meetings, and assist the committee with its consideration of performance metrics and goals. Compensia reports to the committee, not to management. At the committee's request, Compensia meets with members of management to gather and discuss information that is relevant to advising the committee. The committee may replace Compensia or hire additional advisors at any time. Compensia has not provided any other services to the committee or to our management, and has received no compensation from us other than with respect to the services described above. The committee assessed the independence of Compensia pursuant to SEC rules and Nasdaq listing standards, including the following factors: (1) the absence of other services provided by it to the Company; (2) the fees paid to it by the Company as a percentage of its total revenue; (3) its policies and procedures to prevent conflicts of interest; (4) the absence of any business or personal relationships with committee members; (5) the fact that it does not own any Lam common stock; and (6) the absence of any business or personal relationships with our executive officers. The committee assessed this information and concluded that the work of Compensia had not raised any conflict of interest.

## **Role of Management**

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Our CEO, with support from our human resources and finance organizations, develops recommendations for the compensation of our other executive officers. Typically, these recommendations cover base salaries, annual incentive program target award opportunities, long-term incentive program target award opportunities, and the criteria upon which these award opportunities may be earned, as well as actual payout amounts under the annual and long-term incentive programs.

The committee considers our CEO's recommendations within the context of competitive compensation data, the Company's compensation philosophy and objectives, current business conditions, the advice of Compensia, and any other factors it considers relevant.

Our CEO attends committee meetings at the request of the committee but leaves the meeting for any deliberations related to and decisions regarding his own compensation, when the committee meets in executive session, and at any other time requested by the committee.

## **Peer Group Practices and Survey Data**

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In establishing the total compensation levels of our executive officers, as well as the mix and weighting of individual compensation elements, the committee monitors compensation data from a group of comparably sized companies in the technology industry (the "Peer Group"), which may differ from peer groups used by stockholder advisory firms. The committee selects the companies constituting our Peer Group based on their comparability to our lines of business and industry, annual revenue, and market capitalization, and our belief that we are likely to compete with them for executive talent. Our Peer Group is focused on public semiconductor, semiconductor equipment and materials companies that file standard reports with the SEC as domestic issuers, and similarly-sized high-technology equipment and hardware companies with a global presence and a significant investment in research and development. The table below summarizes how the Peer Group companies compare to the Company:

**Figure 30. Peer Group Revenue and Market Capitalization**

Metric	Lam Research (\$M)	Target for Peer Group	Peer Group Median (\$M)
Revenue (last completed reported four quarters as of June 29, 2020)	9,614	Approximately 0.33 to 3 times Lam	9,584
Market Capitalization (30-day average as of June 29, 2020)	42,036	Approximately 0.33 to 3 times Lam	29,374

Based on these criteria, the Peer Group and targets may be modified from time to time. Our Peer Group was reviewed in August 2020 for calendar year 2021 compensation decisions and, based on the criteria identified above, one company was added to the Peer Group (NXP Semiconductors N.V.) and two companies were removed (ON Semiconductor Corporation and Juniper Networks, Inc.). These changes were made to ensure that our Peer Group continues to fit within our Peer Group criteria outlined above. Our Peer Group consists of the companies listed as follows:

Figure 31. Peer Group Companies for Calendar Year 2021

Advanced Micro Devices, Inc.	KLA Corporation	Qualcomm Incorporated
Agilent Technologies, Inc.	Microchip Technology Incorporated	Seagate Technology PLC
Analog Devices, Inc.	Micron Technology, Inc.	Skyworks Solutions, Inc.
Applied Materials, Inc.	NetApp, Inc.	Texas Instruments Inc.
Broadcom Inc.	NVIDIA Corporation	Western Digital Corporation
Corning Incorporated	NXP Semiconductors N.V.	Xilinx, Inc.

We derive revenue, market capitalization, and NEO compensation data from public filings made by our Peer Group companies with the SEC and from other publicly available sources. Radford Technology Survey data may be used to supplement compensation data from public filings as needed. The committee reviews compensation practices and selected data on base salary, bonus targets, total cash compensation, equity awards, and total compensation drawn from the Peer Group companies and/or the Radford Technology Survey as a reference to help ensure compensation packages are consistent with market norms.

Base pay levels for each executive officer are generally set with reference to market-competitive levels and in reflection of each officer's skills, experiences, and performance. Variable pay target award opportunities and total direct compensation for each executive officer are generally designed to deliver market-competitive compensation for the achievement of stretch goals, with downside risk for underperforming and upside reward for overperforming. For those executive officers who are new to their roles, compensation arrangements may be designed to deliver below-market compensation for a period of time. However, the committee does not "target" pay at any specific percentile. Rather, individual pay positioning depends on a variety of factors, such as prior job performance, job scope and responsibilities, skill set, prior experience, time in position, internal comparisons of pay levels for similar skill levels or positions, our goals to attract and retain executive talent, Company performance, and general market conditions.

## ***Assessment of Compensation Risk***

Management, with the assistance of Compensia, the committee's independent compensation consultant, conducted a compensation risk assessment in 2021 and concluded that the Company's current employee compensation programs are not reasonably likely to have a material adverse effect on the Company's business.

## ***Tax and Accounting Considerations***

### **Deductibility of Executive Compensation**

Prior to 2018, and where applicable for grandfathered awards, section 162(m) of the Internal Revenue Code of 1986 (the "Code") imposed limitations on the deductibility for federal income tax purposes of compensation in excess of \$1 million paid to our CEO and any of our three other most highly compensated executive officers (other than our CFO) in a single tax year unless the compensation qualified as "performance-based compensation" within the meaning of the Code.

The committee considers a number of factors, including the deductibility of such compensation when making compensation decisions and retains the discretion to award compensation even if it is not deductible.

### **Taxation of "Parachute" Payments**

Sections 280G and 4999 of the Code provide that "disqualified individuals" within the meaning of the Code (which generally includes certain officers, directors and employees of the Company) may be subject to additional tax if they receive payments or benefits in connection with a change in control of the Company that exceed certain prescribed limits. The Company or its successor may also forfeit a deduction on the amounts subject to this additional tax.

We did not provide any of our executive officers, any director, or any other service provider with a "gross-up" or other reimbursement payment for any tax liability that the individual might owe as a result of the application of sections 280G or 4999 during fiscal year 2020, and we have not agreed and are not otherwise obligated to provide any individual with such a "gross-up" or other reimbursement as a result of the application of sections 280G and 4999.

### **Internal Revenue Code Section 409A**

Section 409A of the Code imposes significant additional taxes on an executive officer, director, or service provider that receives non-compliant "deferred compensation" that is within the scope of section 409A. Among other things, section 409A potentially applies to cash awards under the LTIP, if any, the Elective Deferred Compensation Plan, certain equity awards, and severance arrangements.

To assist our employees in avoiding additional taxes under section 409A, we have structured the LTIP, the Elective Deferred Compensation Plan, and our equity awards in a manner intended to qualify them for exclusion from, or compliance with, section 409A.

### **Accounting for Stock-Based Compensation**

We follow ASC 718 for accounting for our stock options and other stock-based awards. ASC 718 requires companies to calculate the grant date “fair value” of their stock option grants and other equity awards using a variety of assumptions. This calculation is performed for accounting purposes. ASC 718 also requires companies to recognize the compensation cost of stock option grants and other stock-based awards in their income statements over the period that an employee is required to render service in exchange for the option or other equity award.

## **III. PRIMARY COMPONENTS OF NEO COMPENSATION; CY2020 COMPENSATION PAYOUTS; CY2021 COMPENSATION TARGETS AND METRICS**

This section describes the components of our executive compensation program. It also describes, for each component, the payouts to our NEOs for calendar year 2020 and the forward-looking actions taken with respect to our NEOs in calendar year 2021.

### **Base Salary**

Adjustments to base salary are generally considered by the committee each year in February.

For calendar years 2021 and 2020, base salaries for NEOs were determined by the committee in February of each year, and became effective on March 1 or the first day of the pay period that included March 1 (if earlier), based on the factors described above. The following base salary adjustments for 2021 were made to remain competitive relative to our Peer Group and reflect performance as follows: the base salaries of Mr. Bettlinger, Dr. Gottscho and Dr. Lord were increased by 3%, and Dr. Vahedi’s base salary was increased by 4.5%. The independent members of the Board determined to leave Mr. Archer’s base salary for calendar year 2021 unchanged at the same level as in calendar year 2020. The base salaries of the NEOs for calendar years 2021 and 2020 are shown below.

**Figure 32. NEO Annual Base Salaries**

Named Executive Officer	Annual Base Salary 2021 <sup>(1)</sup> (\$)	Annual Base Salary 2020 <sup>(2)</sup> (\$)
Timothy M. Archer	1,050,000	1,050,000
Douglas R. Bettlinger	678,976	659,200
Richard A. Gottscho	613,912	596,031
Patrick J. Lord	525,146	509,850
Vahid Vahedi	502,010	480,392

<sup>(1)</sup> Effective February 22, 2021

<sup>(2)</sup> Effective February 24, 2020

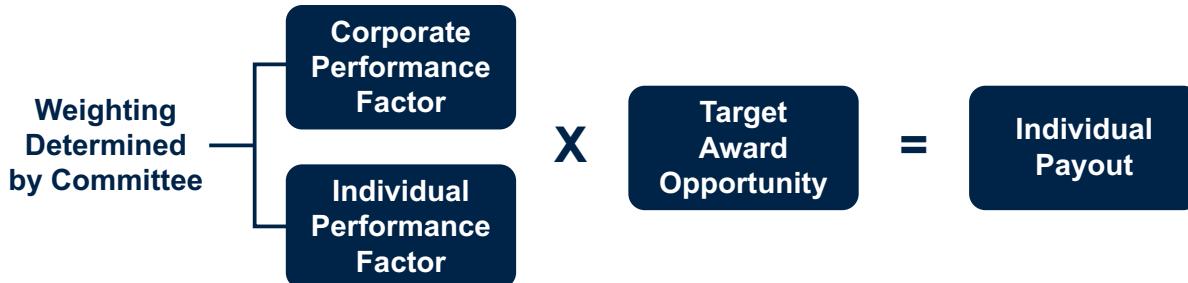
### **Annual Incentive Program**

#### **Annual Incentive Program Components**

The components of our annual incentive program, each of which plays a role in determining actual payments made, are described in Figure 33 below.

Figure 33. Annual Incentive Program Components

Component	Role	Extent of Discretion Permitted
<b>Funding Factor</b>	Create a maximum payout amount from which annual incentive program payouts may be made.  Achievement of a minimum level of performance against the Funding Factor goals is required to fund any program payments.	The committee may exercise negative (but not positive) discretion against the Funding Factor result.  The committee primarily tracks the results of the Corporate Performance Factor and the Individual Performance Factors as a guide to using negative discretion.  Generally, the entire funded amount is not paid out.
<b>Corporate Performance Factor</b>	A corporate-wide metric and goal that is designed to be a stretch goal.  Applies to all NEOs.	The committee may exercise positive or negative discretion, provided the Funding Factor result is not exceeded.
<b>Individual Performance Factors</b>	Based primarily on organization-specific metrics and goals that are designed to be stretch goals and that apply to each individual NEO. See "Figure 37. Individual Performance Factor Components for Calendar Year 2020" below for additional detail regarding the components of the Individual Performance Factor for calendar year 2020.	The committee may exercise positive or negative discretion, provided the Funding Factor result is not exceeded.
<b>Target Award Opportunity</b>	The committee establishes individual target award opportunities for each NEO as a percentage of base salary. Specific target award opportunities are determined based on job scope and responsibilities, as well as an assessment of Peer Group data.  Awards have a maximum payment amount defined as a multiple of the target award opportunity. The maximum award for calendar years 2020 and 2021 was set at 2.25 times target, consistent with prior years.	N/A



For making payout decisions, the committee primarily tracks the results of the Corporate Performance Factor and Individual Performance Factors, which are typically weighted equally.

The specific metric and goal for the Corporate Performance Factor, and the relative weightings of the Corporate Performance Factor and the Individual Performance Factors, are determined by the committee considering the recommendation of our CEO. The specific metric and goals for the Individual Performance Factors are determined by our CEO, or in the case of the CEO, by the committee.

The metrics and goals for the Corporate and Individual Performance Factors are set annually in connection with our annual business planning cycle, and are directly connected to our annual business plans and goals. Goals are set depending on the business environment and the Company's annual objectives and strategies, encompassed in the Annual Operating Plans for the Company and the organizations managed by each of the NEOs, to ensure that they remain stretch goals regardless of changes in the business environment, which can vary significantly from year-to-year in our industry. Accordingly, as business conditions improve, goals are calibrated to require better performance, and if business conditions deteriorate, goals are calibrated to incentivize stretch performance under more difficult conditions. The interplay between our corporate planning cycle and our compensation planning and evaluation cycle is summarized in Figure 34 below.

Figure 34. Annual Planning and Compensation Decision Cycle



We believe that, over time, outstanding business results create stockholder value. Consistent with this belief, multiple performance-based metrics (non-GAAP operating income, product market share, and strategic, operational, and organizational metrics embodied in organizational Annual Operating Plans) are established for our NEOs as part of the Corporate and Individual Performance Factors.

We believe the metrics and goals set under this program, together with the exercise of discretion by the committee as described above, have been effective to motivate our NEOs and the organizations they lead, and to achieve pay-for-performance results.

Figure 35. Annual Incentive Program Payouts for Calendar Years 2018-2020

Calendar Year	Average NEO's Annual Incentive Payout as % of Target Award Opportunity	Business Environment
2020	137	Strong revenue and profitability performance, with growth in our served available market, market share, and installed base. Demand for semiconductor equipment increased across both memory and foundry/ logic segments.
2019	97	Strong revenue, profitability, and cash generation performance despite an overall decrease in demand for semiconductor equipment driven by a decrease in memory investments partially offset by foundry/ logic spending.
2018	137	Strong operating performance and continued expansion of served available markets. Growth in demand for semiconductor equipment driven by the memory segment for both capacity and technology investments.

#### Calendar Year 2020 Annual Incentive Program Parameters and Payout Decisions

In February 2020, the committee established the metrics and goals for the Funding Factor and the Corporate Performance Factor, set the calendar year 2020 target award opportunities, and established the metrics and goals for the Individual Performance Factors for each then-employed NEO. In February 2021, the committee considered the actual results under these factors and made payout decisions for the calendar year 2020 program.

**2020 Annual Incentive Program Funding Factor and Corporate Performance Factor.** In February 2020, the committee set non-GAAP operating income<sup>2</sup> as a percentage of revenue ("non-GAAP operating margin") as the metric for the Funding Factor and Corporate Performance Factor for calendar year 2020. The committee selected non-GAAP operating margin as the performance metric because it believes that it is the performance metric that best reflects core operating results. Non-GAAP operating margin is considered useful to investors for analyzing business trends and comparing performance to prior periods. By excluding certain costs and expenses that are not indicative of core results, non-GAAP results are more useful for analyzing business trends over multiple periods.

<sup>2</sup> Non-GAAP operating income is derived from results determined in accordance with generally accepted accounting principles ("GAAP"), with charges and credits in the following line items excluded from GAAP results for applicable quarters during fiscal years 2021 and 2020: amortization related to intangible assets acquired through certain business combinations; and gains and losses on elective deferred compensation-related liability.

For the Funding Factor, the committee set the following parameters for calendar year 2020:

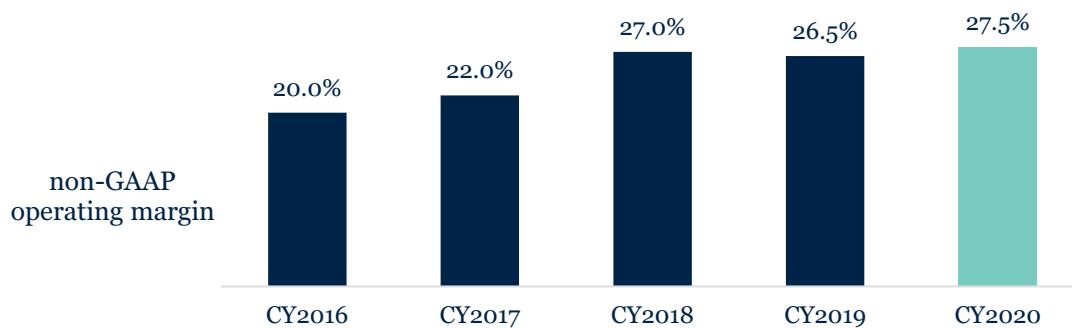
- a minimum achievement of 5% non-GAAP operating margin was required to fund any program payments; and
- achievement of non-GAAP operating margin greater than or equal to 20% would result in the maximum funding of 225% of target;
- with actual funding levels interpolated between those points.

For the Corporate Performance Factor, the committee set:

- a goal of non-GAAP operating margin of 27.5% for the year, which was designed to be a stretch goal, and which would result in a Corporate Performance Factor of 1.00; and
- a maximum Corporate Performance Factor of 1.50 for the maximum payout.

The Corporate Performance Factor goal was designed to be a stretch goal. As is discussed above in “*Annual Incentive Program Components*”, goals are set annually depending on the business environment and the Company’s annual objectives and strategies, to ensure that they remain stretch goals regardless of changes in the business environment, which can vary significantly from year-to-year in our industry. As shown in Figure 36, over the past five years, the committee has raised the Corporate Performance Factor goal year-over-year each year as our outlook and the industry outlook have improved, with the exception of calendar year 2019, when a weakened industry outlook for wafer fabrication equipment spending was reflected in a Corporate Performance Factor goal that was slightly below that of the prior year.

**Figure 36. Corporate Performance Factor Goals for Calendar Years 2016-2020**



Actual non-GAAP operating margin was 29.4% for calendar year 2020. This performance resulted in a Funding Factor of 225% of target and a Corporate Performance Factor of 1.19 for calendar year 2020.

**2020 Annual Incentive Program Target Award Opportunities.** The annual incentive program target award opportunities for calendar year 2020 for each NEO were as set forth below in Figure 41 in accordance with the principles described above under “*Executive Compensation Governance and Procedures – Peer Group Practices and Survey Data*.“ The target award opportunities (as a percentage of base salary) for each of our NEOs remained the same for calendar year 2020 as in the prior calendar year, with the exception of Dr. Lord, whose target award opportunity increased from 85% to 90% in connection with his promotion to executive vice president and increased scope of responsibility as the executive responsible for both the customer support business group and global operations.

**2020 Annual Incentive Program Individual Performance Factors.** For calendar year 2020, as shown in Figure 37 below, the committee determined the Individual Performance Factor for each NEO (other than Mr. Archer) using a formula that took into consideration three elements: a weighted score for each NEO based on the Company’s performance relative to corporate-level annual operating plan goals, with weightings for each NEO based on the extent to which they (and the organizations managed by them) were expected to contribute to and be accountable for that corporate-level performance; an individual score reflecting the extent to which individual NEOs provided exceptional contributions during the year; and a corporate modifier reflecting the Company’s performance to the annual corporate-level goal for operating profitability. The committee also considered the performance of the organizations managed by each such NEO against organizational-level annual operating plan goals.

Figure 37. Individual Performance Factor Components for Calendar Year 2020

	Rationale for Inclusion	Contribution to Individual Performance Factor
<b>Corporate Scorecard Weighted Achievement</b>	Reflects the Company's performance relative to corporate-level annual operating plan goals, weighted according to the expected contributions of individual NEOs (and the organizations managed by them)	80%
<b>Individual Achievement</b>	Reflects the extent to which individual NEOs provide exceptional contributions during the year	20%
<b>Corporate Modifier</b>	Reflects the Company's performance to the annual corporate-level goal for operating profitability, ensuring that individual payouts are appropriately tied to Company profitability	Modifier (modifies individual performance factors up or down)

The committee evaluated the Company's performance relative to corporate-level annual operating plan goals, and determined to assign the scores shown in Figure 38 below.

Figure 38. Corporate Scorecard for Calendar Year 2020

Corporate Goal Area	Objectives	Score
<b>Market Performance and Execution</b>	Relate to: growth in our served addressable market; success of new product launches; penetration of new market opportunities and defense of established positions; and achievement of market share targets.	90%
<b>Safety, Quality and Customer Satisfaction</b>	Relate to: safety; quality; growth of Customer Support Business Group revenue; and customer satisfaction.	100%
<b>Human Capital Management</b>	Relate to: employee engagement; female employee representation and female leadership representation; and talent retention.	110%
<b>Financial Performance</b>	Relate to: financial performance to plan; key financial and operational metrics; and margin improvements.	97%

The committee assigned weightings for each corporate goal area for each of the NEOs (other than Mr. Archer), which were combined with the corporate-level scores to determine a weighted achievement score, as shown in Figure 39 below.

Figure 39. Corporate Scorecard Weightings and Achievements for Calendar Year 2020

	Individual Weightings				Corporate Scorecard Weighted Achievement
	Market Performance and Execution	Safety, Quality and Customer Satisfaction	Human Capital Management	Financial Performance	
Douglas R. Bettinger	20%	20%	20%	40%	98.8%
Richard A. Gotscho	30%	30%	20%	20%	98.4%
Patrick J. Lord	20%	35%	20%	25%	99.3%
Vahid Vahedi	40%	20%	20%	20%	97.4%

The committee also determined the individual achievement scores for each NEO (other than Mr. Archer), as shown in Figure 40 below. The committee's assignment to Drs. Lord and Vahedi of individual achievement scores above 100% was due in significant part, in the case of Dr. Lord, to his successful assumption of leadership of the global operations organization in addition to his existing responsibilities as the leader of the Customer Support Business Group; and in the case of Dr. Vahedi, to his strong customer engagement efforts; which in the case of each executive were accomplished despite the significant challenges presented by the COVID-19 pandemic. The corporate scorecard weighted achievements for each such NEO were then combined with the individual achievements at a weighting of 80% and 20%, respectively, as described in Figure 37 above. The committee determined to apply a corporate modifier of 1.157 to each resulting measurement, based on the Company's outperformance relative to the annual operating profitability objective, resulting in the final individual performance factors shown in Figure 40 below.

In determining Mr. Archer's Individual Performance Factor, the independent members of the Board evaluated the Company's performance against its corporate-level goals, Mr. Archer's individual performance, and the performance of the other members of the management team reporting to him, and determined to assign him an Individual Performance Factor equal to the average of the Individual Performance Factors of all the executive and senior vice presidents reporting to him, as shown in Figure 40 below. The committee declined to exercise its discretion to recommend an adjustment to Mr. Archer's Individual Performance Factor.

**Figure 40. Individual Performance Factors for Calendar Year 2020**

Named Executive Officer	Corporate Scorecard Weighted Achievement (80%)	Individual Achievement (20%)	Corporate Modifier	Individual Performance Factor <sup>(1)</sup>
Timothy M. Archer	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	1.158
Douglas R. Bettinger	98.8%	100%	1.157	1.145
Richard A. Gotscho	98.4%	100%	1.157	1.142
Patrick J. Lord	99.3%	109%	1.157	1.171
Vahid Vahedi	97.4%	105%	1.157	1.144

<sup>(1)</sup> The Individual Performance Factor values are reported in this table rounded to three decimal places. However, for purposes of determining the actual payouts shown in Figure 41 below, unrounded values were used.

<sup>(2)</sup> As is discussed above, Mr. Archer's Individual Performance Factor was determined as the average of the Individual Performance Factors of all the executive and senior vice presidents reporting to him.

**Calendar Year 2020 Annual Incentive Program Payout Decisions.** Based on the above results and decisions, the committee approved for the calendar year 2020 annual incentive program payouts for each NEO as shown below in Figure 41, which were less than the maximum payout available under the Funding Factor:

**Figure 41. Annual Incentive Program Payouts for Calendar Year 2020**

Named Executive Officer	Target Award Opportunity (% of Base Salary)	Target Award Opportunity (\$) <sup>(1)</sup>	Maximum Payout under Funding Factor (225.0% of Target Award Opportunity) (\$) <sup>(2)</sup>	Actual Payouts (\$) <sup>(3)</sup>
Timothy M. Archer	150	1,575,000	3,543,750	2,170,382
Douglas R. Bettinger	100	659,200	1,483,200	898,530
Richard A. Gotscho	90	536,428	1,206,963	728,969
Patrick J. Lord	90	458,865	1,032,446	639,360
Vahid Vahedi	85	408,333	918,749	556,021

<sup>(1)</sup> Calculated by multiplying each NEO's annual base salary as of October 1, 2020 by their respective target award opportunity percentage.

<sup>(2)</sup> The Funding Factor resulted in a potential payout of up to 225.0% of target award opportunity for the calendar year (based on the actual non-GAAP operating margin results detailed under "2020 Annual Incentive Program Corporate Performance Factor" above and the specific goal described in the second paragraph under "Annual Incentive Program Funding Factor and Corporate Performance Factor" above).

<sup>(3)</sup> Calculated by multiplying each NEO's target award opportunity, in dollars, by the product of (x) the Corporate Performance Factor of 1.19 multiplied by (y) that NEO's Individual Performance Factor. Please see footnote 1 to Figure 40 above for an explanation of the impact of rounding.

### Calendar Year 2021 Annual Incentive Program Parameters

In February 2021, the committee set the target award opportunity for each NEO as a percentage of base salary and, consistent with prior years, set a cap on payments equal to 2.25 times the target award opportunity. For calendar year 2021, target award opportunities were increased for several NEOs relative to the prior year, in order to increase the competitiveness of cash compensation while continuing to align compensation with performance. The target award opportunity for each NEO is shown below.

**Figure 42. Annual Incentive Program Target Award Opportunities for Calendar Year 2021**

Named Executive Officer	Target Award Opportunity (% of Base Salary)
Timothy M. Archer	175
Douglas R. Bettinger	115
Richard A. Gotscho	90
Patrick J. Lord	110
Vahid Vahedi	95

The committee also approved non-GAAP operating margin as the annual metric for the Funding Factor and the Corporate Performance Factor, and set the annual goals for the Funding Factor and the Corporate Performance Factor. Consistent with the program design, the Corporate Performance Factor goal is more difficult to achieve than the Funding Factor goal. Individual Performance Factor metrics and goals were also established for each NEO, based upon corporate-level annual operating plan goals and individual performance. Each NEO has multiple performance metrics and goals under this program. All Corporate and Individual Performance Factor goals were designed to be stretch goals.

## Long-Term Incentive Program

### Design

Our LTIP is designed to attract and retain top talent, provide competitive levels of compensation, align pay with achievement of business objectives and with stock performance over a multi-year period, reward our NEOs for outstanding Company performance, and create stockholder value over the long-term.

Under the current long-term incentive program, at the beginning of each multi-year performance period, target award opportunities (expressed as a U.S. dollar value) and performance metrics are established for the program. Of the total target award opportunity, 50% is awarded in Market-based PRSUs, and the remaining 50% is awarded in a combination of stock options and service-based RSUs with at least 10% of the award in each of these two vehicles. The specific percentage of service-based RSUs and stock options is reviewed annually to determine whether service-based RSUs or stock options are the more efficient form of equity for the majority of the award based on criteria such as the current business environment and the potential value to motivate and retain the executives. We consider Market-based PRSUs and stock options to be performance-based, but do not classify service-based RSUs as performance-based.

This means that if options constitute 10% of the total target award opportunity, the long-term incentive program will be 60% performance-based. If options constitute 40% of the total target award opportunity, the long-term incentive program will be 90% performance-based.

While service-based RSUs and stock options vest on an annual basis over three years, Market-based PRSUs cliff vest after three years. Cliff, rather than annual, vesting provides for both retention and for aligning NEOs with longer-term stockholder interests.

### Equity Vehicles

The equity vehicles used in our 2021/2023 long-term incentive program are as follows:

Figure 43. 2021/2023 LTIP Program Equity Vehicles

Equity Vehicles	Vesting	Terms
<b>Market-base PRSUs</b> 50% of Target Award Opportunity	<ul style="list-style-type: none"><li>Awards cliff vest three years from the March 1, 2021 grant date(the "Grant Date") subject to satisfaction of a minimum performance requirement and continued employment.</li><li>Awards that vest at the end of the performance period are distributed in shares of our common stock.</li></ul>	<ul style="list-style-type: none"><li>The number of Market-based PRSUs granted is determined by dividing 50% of the target opportunity by the 30-day average of the closing price per share of our common stock prior to the Grant Date, \$550.07, rounded down to the nearest share.</li><li>The number of shares represented by the Market-based PRSUs that can be earned over the performance period is determined according to the performance parameters described in Figure 44 below.</li></ul>
<b>Stock Options</b> 10% of Target Award Opportunity	<ul style="list-style-type: none"><li>Awards vest one-third on the first, second, and third anniversaries of the Grant Date, subject to continued employment.</li><li>Awards are exercisable upon vesting.</li><li>Expiration is on the seventh anniversary of the Grant Date.</li></ul>	<ul style="list-style-type: none"><li>The number of stock options granted is determined by dividing 10% of the target opportunity by the 30-day average of the closing price per share of our common stock prior to the Grant Date, \$550.07, rounded down to the nearest share and multiplying the result by three. The ratio of three options for every RSU is based on a Black Scholes fair value accounting analysis.</li><li>The exercise price of stock options is the closing price of our common stock on the Grant Date.</li></ul>
<b>Service-based RSUs</b> 40% of Target Award Opportunity	<ul style="list-style-type: none"><li>Awards vest one-third on the first, second, and third anniversaries of the Grant Date, subject to continued employment.</li><li>Awards are distributed in shares of our common stock upon vesting.</li></ul>	<ul style="list-style-type: none"><li>The number of RSUs granted is determined by dividing 40% of the target opportunity by the 30-day average of the closing price per share of our common stock prior to the Grant Date, \$550.07, rounded down to the nearest share.</li></ul>

Figure 44. 2021/2023 Market-based PRSU Performance Parameters

Parameter	Terms
<b>Performance Period</b>	Three years from the first business day in February (February 1, 2021 through January 31, 2024).
<b>Performance Index</b>	PHLX Semiconductor Sector Total Return Index, or "XSOX index"
<b>Number of Shares</b>	<ul style="list-style-type: none"> <li>Based on our “total return” stock price performance compared to the market price performance of the Performance Index, subject to a ceiling as described below. The stock price performance or market price performance is measured using the closing price for the 50 trading days prior to the dates the performance period begins and ends, assuming that any dividends paid on our common stock are reinvested on the ex-dividend date (consistent with the treatment of dividends in the Performance Index).</li> <li>The target number of shares represented by the Market-based PRSUs is increased by 2% of target for each 1% that our stock price performance exceeds the market price performance of the Performance Index; similarly, the target number of shares represented by the Market-based PRSUs is decreased by 2% of target for each 1% that our stock price performance trails the market price performance of the Performance Index. The result of the vesting formula is rounded down to the nearest whole number.</li> <li>A table reflecting the potential payouts depending on various comparative results is shown below in Figure 45.</li> </ul>
<b>Award Ceiling/Minimum</b>	The final shares awarded cannot exceed 150% of target (requiring a positive percentage change in our stock price performance compared to that of the market price performance of the Performance Index equal to or greater than 25 percentage points) and can be as little as 0% of target (requiring a percentage change in our stock price performance compared to that of the market price performance of the Performance Index equal to or lesser than negative 50 percentage points).

Figure 45. Market-based PRSU Potential Payouts

Lam's Total Return % Change Performance Compared to XSOX Index % Change Performance	Market-based PRSUs That Can Be Earned (% of Target) <sup>(1)</sup>
+ 25% or more	150
10%	120
0% (equal to index)	100
-10%	80
-25%	50
-50% or less	0

<sup>(1)</sup> The results of the vesting formula (reflecting the number of Market-Based PRSUs that can be earned) are linearly interpolated between the stated percentages using the formula described in the third row of Figure 44.

### Target Award Opportunity

Under the long-term incentive program, the committee sets a target award opportunity for each participant based on the NEO’s position and responsibilities and an assessment of competitive compensation data. The target award opportunities for each participant are expressed in a U.S. dollar value. The target amounts for each NEO under the program cycles affecting fiscal year 2021 are shown below.

Figure 46. LTIP Target Award Opportunities

Named Executive Officer	Target Award Opportunity (\$) by Long-Term Incentive Program			
	2018/2020 <sup>(1)</sup>	2019/2021 <sup>(2)</sup>	2020/2022 <sup>(3)</sup>	2021/2023 <sup>(4)</sup>
Timothy M. Archer	5,000,000	7,200,000	9,500,000	11,000,000
Douglas R. Bettinger	2,250,000	2,700,000	2,750,000	3,050,000
Richard A. Gottscho	2,500,000	2,250,000	2,500,000	2,500,000
Patrick J. Lord	1,900,000	1,800,000	2,500,000	2,500,000
Vahid Vahedi	1,700,000	1,575,000	2,150,000	2,250,000

<sup>(1)</sup> The three-year performance period for the 2018/2020 LTIP began on February 1, 2018 and ended on January 31, 2021.

<sup>(2)</sup> The three-year performance period for the 2019/2021 LTIP began on February 1, 2019 and ends on January 31, 2022.

<sup>(3)</sup> The three-year performance period for the 2020/2022 LTIP began on February 3, 2020 and ends on February 2, 2023.

<sup>(4)</sup> The three-year performance period for the 2021/2023 LTIP began on February 1, 2021 and ends on January 31, 2024.

## Calendar Year 2018/2020 LTIP Award Parameters and Payouts

On March 1, 2018, the committee granted to each NEO, as part of the calendar year 2018/2020 CEO staff long-term incentive program (the “2018/2020 LTIP Awards”), Market-based PRSUs, and service-based RSUs and stock options, with a total target award opportunity shown below. The service-based RSUs and stock options vested over three years, one-third on each anniversary of the grant date. The Market-based PRSUs cliff vested three years from the grant date. The terms of the Market-based PRSUs and service-based RSUs granted to all the NEOs as part of the 2018/2020 LTIP Awards were the same.

Figure 47. 2018/2020 LTIP Award Grants

Named Executive Officer	Target Award Opportunity (\$)	Market-based PRSUs Award (#) <sup>(1)</sup>	Stock Options Award (#)	Service-based RSUs Award (#)
Timothy M. Archer	5,000,000	13,159	10,524	10,527
Douglas R. Bettinger	2,250,000	5,921	4,736	4,737
Richard A. Gottscho	2,500,000	6,579	5,260	5,263
Patrick J. Lord	1,900,000	5,000	4,000	4,000
Vahid Vahedi	1,700,000	4,474	3,576	3,579

<sup>(1)</sup> The number of Market-based PRSUs awarded is reflected at target. The final number of shares that may be earned is 0% to 150% of target.

In February 2021, the committee determined the payouts for the calendar year 2018/2020 LTIP Awards of Market-based PRSUs. The number of shares represented by the Market-based PRSUs earned over the performance period was based on our stock price performance compared to the market price performance of the Philadelphia Semiconductor Sector Index, or “SOX index”.

Based on the above formula and Market-based PRSU Vesting Summary set forth in Figures 44 and 45 (but substituting the SOX index for the XSOX index, and disregarding the impact of dividends paid, consistent with that index), the Company’s stock price performance over the three-year performance period was equal to 153.85% and the performance of the SOX index (based on market price) over the same three-year performance period was equal to 115.70%. Lam’s stock price outperformed the SOX index by 38.15%, which resulted in the maximum possible performance payout of 150% of the target number of Market-based PRSUs granted to each NEO. Based on such results, the committee made the following payouts to each NEO for the 2018/2020 LTIP Award of Market-based PRSUs.

Figure 48. 2018/2020 LTIP Market-based PRSU Award Payouts

Named Executive Officer	Target Market-based PRSUs (#)	Actual Payout of Market-based PRSUs (150% of Target Award Opportunity) (#)
Timothy M. Archer	13,159	19,738
Douglas R. Bettinger	5,921	8,881
Richard A. Gottscho	6,579	9,868
Patrick J. Lord	5,000	7,500
Vahid Vahedi	4,474	6,711

## Calendar Year 2021 LTIP Awards

**Calendar Year 2021 decisions for the 2021/2023 long-term incentive program.** On March 1, 2021, the committee made a grant under the 2021/2023 long-term incentive program, of Market-based PRSUs, stock options, and service-based RSUs on the terms set forth in Figures 43 and 44 with a combined value equal to the NEO’s total target award opportunity, as shown below.

Figure 49. 2021/2023 LTIP Award Grants

Named Executive Officer	Target Award Opportunity (\$)	Market-based PRSUs Award (#) <sup>(1)</sup>	Stock Options Award (#)	Service-based RSUs Award (#)
Timothy M. Archer	11,000,000	9,998	5,997	7,998
Douglas R. Bettinger	3,050,000	2,772	1,662	2,217
Richard A. Gottscho	2,500,000	2,272	1,362	1,817
Patrick J. Lord	2,500,000	2,272	1,362	1,817
Vahid Vahedi	2,250,000	2,045	1,227	1,636

<sup>(1)</sup> The number of Market-based PRSUs awarded is reflected at target. The final number of shares that may be earned will be 0% to 150% of target.

## Compensation Recovery, or “Clawback” Policy

Our executive officers covered by section 16 of the Exchange Act are subject to the Company’s compensation recovery, or “clawback,” policy. The clawback policy was adopted in August 2014 and took effect starting in calendar year 2015. It enables us, in the event that

a material restatement of financial results is required, to recover, within 36 months of the issuance of the original financial statements, the excess amount of cash incentive-based compensation issued to covered individuals. A covered individual's fraud must have materially contributed to the need to issue restated financial statements in order for the clawback policy to apply to that individual. The recovery of compensation is not the exclusive remedy available in the event that the clawback policy is triggered.

## **Stock Ownership Guidelines**

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For senior vice presidents and above, we also have stock ownership guidelines that foster a long-term orientation. Our stock ownership guidelines for our NEOs and certain other senior executives are shown below. The requirements are specified in the alternative of shares or dollars to allow for stock price volatility. Under our guidelines, unearned performance awards and unexercised options (or portions thereof) are not included towards meeting the requirements. Ownership levels as shown below must be achieved within five years of appointment to one of the below positions. Increased requirements due to promotions or an increase in the ownership guideline must be achieved within five years of promotion or a change in the guidelines. Our ownership guidelines are reviewed by the committee on an annual basis. In May 2021, we increased the dollar-based alternative ownership guideline applicable to our CEO from a 5x multiple of base salary to a 6x multiple in order to ensure continued alignment with our Peer Group. At the end of fiscal year 2021, all NEOs were in compliance with our stock ownership guidelines or have a period of time remaining under the guidelines to meet the required ownership level.

**Figure 50. Executive Stock Ownership Guidelines**

<b>Position</b>	<b>Guidelines (lesser of)</b>
President and Chief Executive Officer	6x base salary or 50,000 shares
Executive Vice Presidents	2x base salary or 10,000 shares
Senior Vice Presidents	1x base salary or 5,000 shares

## **Severance/Change in Control Arrangements**

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Prior to January 1, 2021, the Company had entered into employment or change in control agreements with our NEOs. On December 31, 2020, these agreements expired, and effective January 1, 2021, the Company adopted an executive severance policy and an executive change in control policy, which were intended to replace the employment and change in control agreements. Like the agreements, the policies were intended to help attract and retain our NEOs, and we believe that these policies facilitate a smooth transaction and transition planning in connection with change in control events. The severance policy provides for designated payments in the event of an involuntary termination of employment, death or disability, as such terms are defined in the policy. The change in control policy provides for designated payments in the case of a change in control or an acquisition by the Company, in each case when coupled with an involuntary termination (i.e., a double trigger is required before payment is made due to a change in control or acquisition by the Company), as such terms are defined in the policy.

For additional information about these arrangements and detail about post-termination payments under these arrangements, see the "Executive Compensation Tables – Potential Payments upon Termination or Change in Control" section below.

## **Other Benefits Not Available to All Employees**

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### **Elective Deferred Compensation Plan**

The Company maintains an Elective Deferred Compensation Plan that allows eligible employees (including all the NEOs) to voluntarily defer receipt of all or a portion of base salary and certain incentive compensation payments until a date or dates elected by the participating employee. This allows the employee to defer taxes on designated compensation amounts. In addition, the Company is obligated to pay a limited Company contribution to the plan for all eligible employees.

### **Supplemental Health and Welfare**

We provide certain health and welfare benefits not generally available to other employees, including the payment of premiums for supplemental long-term disability insurance and Company-provided coverage in the amount of \$1 million for both life and accidental death and dismemberment insurance for all NEOs.

We also provide post-retirement medical and dental insurance coverage for eligible former executive officers under our Retiree Health Plans, subject to certain eligibility requirements. The program was closed to executive officers who joined the Company or became executive officers through promotion effective on or after January 1, 2013. We have an independent actuarial valuation of post-retirement benefits for eligible NEOs conducted annually in accordance with GAAP. The most recent valuation was conducted in June 2021 and reflected the retirement benefit obligation for the NEOs as shown below.

**Figure 51. NEO Post-Retirement Benefit Obligations**

Named Executive Officer	As of June 27, 2021 (\$)
Timothy M. Archer	1,042,000
Douglas R. Bettinger <sup>(1)</sup>	—
Richard A. Gottscho	658,000
Patrick J. Lord <sup>(1)</sup>	—
Vahid Vahedi	1,087,000

<sup>(1)</sup> Mr. Bettinger and Dr. Lord are not eligible to participate under the terms of the program.

## Compensation Committee Report

The compensation and human resources committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K. Based on this review and discussion, the compensation and human resources committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and the Company's Annual Report on Form 10-K.

This Compensation Committee Report shall not be deemed "filed" with the SEC for purposes of federal securities law, and it shall not, under any circumstances, be incorporated by reference into any of the Company's past or future SEC filings. The report shall not be deemed soliciting material.

## MEMBERS OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE

*Sohail U. Ahmed  
Eric K. Brandt (Chair)  
Abhijit Y. Talwalkar  
Lih Shyng (Rick L.) Tsai*

## Compensation Committee Interlocks and Insider Participation

None of the compensation and human resources committee members has ever been an officer or employee of Lam Research. No interlocking relationship exists as of the date of this proxy statement or existed during fiscal year 2021 between any member of our compensation and human resources committee and any member of any other company's board of directors or compensation committee.

## Executive Compensation Tables

The following tables (Figures 52-57) show compensation information for our named executive officers:

Figure 52. Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
Timothy M. Archer <i>President and Chief Executive Officer</i>	2021	1,050,000	—	11,071,172	1,195,482	2,170,382 <sup>(4)</sup>	8,700	15,495,736
	2020	1,017,308	—	8,350,730	923,416	1,450,500 <sup>(5)</sup>	11,050	11,753,004
	2019	809,512	—	7,829,921	3,911,321	1,181,842 <sup>(6)</sup>	12,513	13,745,109
Douglas R. Bettinger <i>Executive Vice President and Chief Financial Officer</i>	2021	666,046	—	3,069,258	331,314	898,530 <sup>(4)</sup>	11,288	4,976,436
	2020	646,646	—	2,417,174	267,136	616,960 <sup>(5)</sup>	9,759	3,957,675
	2019	620,518	—	9,856,919	529,186	739,421 <sup>(6)</sup>	9,073	11,755,117
Richard A. Gotscho <i>Executive Vice President, Chief Technology Officer</i>	2021	602,221	1,939 <sup>(7)</sup>	2,515,577	292,852	728,969 <sup>(4)</sup>	9,658	4,151,216
	2020	588,390	6,400 <sup>(7)</sup>	2,197,418	257,676	506,977 <sup>(5)</sup>	9,694	3,566,555
	2019	584,126	10,971 <sup>(7)</sup>	1,755,652	474,750	707,680 <sup>(6)</sup>	9,553	3,542,732
Patrick J. Lord <i>Executive Vice President, Customer Support Business Group and Global Operations</i>	2021	515,145	—	2,515,577	292,852	639,360 <sup>(4)</sup>	10,370	3,973,304
	2020	479,544	—	2,197,418	242,796	379,792 <sup>(5)</sup>	8,972	3,308,522
	2019	463,327	—	1,404,389	352,790	554,243 <sup>(6)</sup>	8,668	2,783,417
Vahid Vahedi <i>Senior Vice President and General Manager, Etch Business Unit</i>	2021	487,875	—	2,264,555	263,825	556,021 <sup>(4)</sup>	13,835	3,586,111
	2020	462,613	—	1,889,916	209,024	377,130 <sup>(5)</sup>	8,829	2,947,512
	2019	453,031	4,171 <sup>(7)</sup>	1,229,006	308,609	494,802 <sup>(6)</sup>	8,755	2,498,374

- <sup>(1)</sup> The amounts shown in this column represent the value of service-based RSU and Market-based PRSU awards granted, under the LTIP, in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. For fiscal year 2021, the grant date fair value of the maximum number of RSU and Market-based PRSU awards that may be earned by each NEO is as follows: Mr. Archer: \$14,273,981; Mr. Bettinger: \$3,957,254; Dr. Gotscho: \$3,243,401; Dr. Lord: \$3,243,401; and Dr. Vahedi: \$2,919,340. The fair value of service-based RSUs was calculated based on the fair market value of the Company's common stock at the date of grant, discounted for dividends. The fair value of Market-based PRSUs was calculated using a Monte Carlo simulation model using, for awards granted in fiscal year 2021, the assumptions shown below. For additional details regarding the grants see "Grants of Plan-Based Awards for Fiscal Year 2021" below.

Market-based PRSU Award Valuation Assumptions				
Expected Volatility	Risk-free Interest Rate	Expected Term (Years)	Dividend Yield	
47.5%	0.26%	2.92	0.87%	

- <sup>(2)</sup> The amounts shown in this column represent the value of the stock option awards granted, under the LTIP, in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The fair value of stock options granted in fiscal year 2021 was calculated using a Black-Scholes option valuation model using the assumptions shown below. For additional details regarding the grants see "Grants of Plan-Based Awards for Fiscal Year 2021" below.

Stock Option Award Valuation Assumptions				
Expected Volatility	Risk-free Interest Rate	Expected Term (Years)	Dividend Yield	
42.2%	0.67%	4.85	0.87%	

- <sup>(3)</sup> Please refer to "All Other Compensation Table for Fiscal Year 2021," which immediately follows this table, for additional information.

- <sup>(4)</sup> Represents the amount earned and subsequently paid under the calendar year 2020 AIP.

- <sup>(5)</sup> Represents the amount earned and subsequently paid under the calendar year 2019 AIP.

- <sup>(6)</sup> Represents the amount earned and subsequently paid under the calendar year 2018 AIP.

- <sup>(7)</sup> Represents patent awards.

Figure 53. All Other Compensation Table for Fiscal Year 2021

	Company Matching Contribution to the Company's Section 401(k) Plan (\$)	Company Contribution to the Elective Deferred Compensation Plan (\$)	Other (\$)	Total (\$)
Timothy M. Archer	8,700	—	—	8,700
Douglas R. Bettinger	8,426	2,500	362 <sup>(1)</sup>	11,288
Richard A. Gottscho	8,582	—	1,076 <sup>(2)</sup>	9,658
Patrick J. Lord	8,370	—	2,000 <sup>(3)</sup>	10,370
Vahid Vahedi	8,352	—	5,483 <sup>(4)</sup>	13,835

<sup>(1)</sup> Represents a \$250 value for award points awarded in connection with achieving Mr. Bettinger's 7th anniversary milestone, along with an associated tax gross-up of \$112.

<sup>(2)</sup> Represents supplemental long-term disability premiums paid by the Company in excess of the non-discriminatory supplemental long-term disability insurance benefits provided to all Company employees.

<sup>(3)</sup> Represents a matching charitable contribution made by the Company pursuant to its employee gift match and volunteerism program, which is available to all Company employees.

<sup>(4)</sup> Includes a \$1,000 value for award points awarded in connection with achieving Dr. Vahedi's 25th anniversary milestone, along with an associated tax gross-up of \$448, a \$4,000 matching charitable contribution made by the Company pursuant to its employee gift match and volunteerism program, as well as \$35 which represents the portion of life insurance premiums paid by the Company in excess of the non-discriminatory life insurance benefits provided to all Company employees.

Figure 54. Grants of Plan-Based Awards for Fiscal Year 2021

Name	Award Type	Grant Date	Approved Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(3)</sup>
				Target (\$) <sup>(1)</sup>	Maximum (\$) <sup>(1)</sup>	Target (#) <sup>(2)</sup>	Maximum (#) <sup>(2)</sup>				
Timothy M. Archer	Annual Incentive Program	N/A	2/5/21	1,837,500	4,134,375						
	LTIP-Equity										
	Market-based PRSUs	3/1/21	2/5/21			9,998 <sup>(4)</sup>	14,997 <sup>(4)</sup>				6,405,619
	Service-based RSUs	3/1/21	2/5/21					7,998 <sup>(5)</sup>			4,665,553
Douglas R. Bettinger	Stock Options	3/1/21	2/5/21						5,997 <sup>(6)</sup>	598.81	1,195,482
	Annual Incentive Program	N/A	2/3/21	780,822	1,756,850						
	LTIP-Equity										
	Market-based PRSUs	3/1/21	2/3/21			2,772 <sup>(4)</sup>	4,158 <sup>(4)</sup>				1,775,993
Richard A. Gottscho	Service-based RSUs	3/1/21	2/3/21					2,217 <sup>(5)</sup>			1,293,265
	Stock Options	3/1/21	2/3/21						1,662 <sup>(6)</sup>	598.81	331,314
	Annual Incentive Program	N/A	2/3/21	552,521	1,243,172						
	LTIP-Equity										
Patrick J. Lord	Market-based PRSUs	3/1/21	2/3/21			2,272 <sup>(4)</sup>	3,408 <sup>(4)</sup>				1,455,648
	Service-based RSUs	3/1/21	2/3/21					1,817 <sup>(5)</sup>			1,059,929
	Stock Options	3/1/21	2/3/21						1,362 <sup>(6)</sup>	598.81	292,852
	Annual Incentive Program	N/A	2/3/21	577,661	1,299,736						
Vahid Vahedi	LTIP-Equity										
	Market-based PRSUs	3/1/21	2/3/21			2,272 <sup>(4)</sup>	3,408 <sup>(4)</sup>				1,455,648
	Service-based RSUs	3/1/21	2/3/21					1,817 <sup>(5)</sup>			1,059,929
	Stock Options	3/1/21	2/3/21						1,362 <sup>(6)</sup>	598.81	292,852
	Annual Incentive Program	N/A	2/3/21	476,910	1,073,048						
	LTIP-Equity										
	Market-based PRSUs	3/1/21	2/3/21			2,045 <sup>(4)</sup>	3,067 <sup>(4)</sup>				1,310,211
	Service-based RSUs	3/1/21	2/3/21					1,636 <sup>(5)</sup>			954,344
	Stock Options	3/1/21	2/3/21						1,227 <sup>(6)</sup>	598.81	263,825

- (1) The AIP target and maximum estimated future payouts reflected in this table were calculated using the base salary approved in February 2021, effective as of February 22, 2021. Awards payouts range from 0% to 225% of target.
- (2) The amounts reported represent the target and maximum number of Market-based PRSUs that may vest on the terms described in “Executive Compensation and Other Information – Compensation Discussion and Analysis” above. The number of shares that may be earned is equal to from 0% to 150% of target.
- (3) The amounts reported represent the fair value of Market-based PRSU, service-based RSU, and stock option awards granted during fiscal year 2021 in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. For details regarding the assumptions used to calculate the fair value of awards granted during fiscal year 2021, see notes 1 and 2 to the “Summary Compensation Table” above.
- (4) The Market-based PRSUs will vest on the third anniversary of the grant date, subject to continued employment. The actual conversion of Market-based PRSUs into shares of Lam common stock following the conclusion of the three-year performance period will range from 0% to 150% of the target amount, depending upon Lam’s “total return” stock price performance (assuming any dividends paid are reinvested on the ex-dividend date) compared to the market price performance of the XSOX index over the applicable three-year performance period.
- (5) The RSUs will vest in three equal installments on the first, second and third anniversaries of the grant date, subject to continued employment.
- (6) The stock options will become exercisable in three equal installments on the first, second and third anniversaries of the grant date, subject to continued employment.

Figure 55. Outstanding Equity Awards at Fiscal Year 2021 Year-End

Name	Option Awards						Stock Awards			
	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(1)</sup>	
Timothy M. Archer	3/1/2021 <sup>(2)</sup>	—	5,997	598.81	3/1/28					
	3/1/2021 <sup>(3)</sup>					7,998	5,042,259			
	3/1/2021 <sup>(4)</sup>							9,998	6,303,139	
	3/2/2020 <sup>(2)</sup>	4,046	8,094	300.33	3/2/27					
	3/2/2020 <sup>(3)</sup>					8,095	5,103,412			
	3/2/2020 <sup>(4)</sup>							15,178	9,568,818	
	3/1/2019 <sup>(2)</sup>	11,329	11,330	176.75	3/1/26					
	3/1/2019 <sup>(3)</sup>					4,249	2,678,740			
	3/1/2019 <sup>(5)</sup>							21,243	13,392,437	
	12/6/2018 <sup>(6)</sup>	1,488	26,787	145.73	12/6/25					
Douglas R. Bettinger	12/6/2018 <sup>(7)</sup>					6,384	4,024,729			
	3/1/2018 <sup>(2)</sup>	10,524	—	190.07	3/1/25					
	3/1/2021 <sup>(2)</sup>	—	1,662	598.81	3/1/28					
	3/1/2021 <sup>(3)</sup>					2,217	1,397,685			
	3/1/2021 <sup>(4)</sup>							2,772	1,747,580	
	3/2/2020 <sup>(2)</sup>	1,170	2,342	300.33	3/2/27					
	3/2/2020 <sup>(3)</sup>					2,344	1,477,751			
	3/2/2020 <sup>(4)</sup>							4,393	2,769,523	
	3/1/2019 <sup>(2)</sup>	8,496	4,248	176.75	3/1/26					
	3/1/2019 <sup>(3)</sup>					1,593	1,004,291			
Richard A. Gottscho	3/1/2019 <sup>(5)</sup>							7,966	5,022,085	
	11/30/2018 <sup>(8)</sup>					20,589	12,980,129			
	3/1/2018 <sup>(2)</sup>	4,736	—	190.07	3/1/25					
	3/1/2017 <sup>(2)</sup>	9,496	—	119.67	3/1/24					
	3/1/2016 <sup>(2)</sup>	23,871	—	75.57	3/1/23					
	2/11/2015 <sup>(2)</sup>	9,303	—	80.60	2/11/22					
	3/1/2021 <sup>(2)</sup>	—	1,362	598.81	3/1/28					
	3/1/2021 <sup>(3)</sup>					1,817	1,145,509			
	3/1/2021 <sup>(4)</sup>							2,272	1,432,360	
	3/2/2020 <sup>(2)</sup>	1,064	2,128	300.33	3/2/27					

Name	Option Awards					Stock Awards			
	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(1)</sup>
Patrick J. Lord	3/1/2021 <sup>(2)</sup>	—	1,362	598.81	3/1/28				
	3/1/2021 <sup>(3)</sup>					1,817	1,145,509		
	3/1/2021 <sup>(4)</sup>							2,272	1,432,360
	3/2/2020 <sup>(2)</sup>	—	2,128	300.33	3/2/27				
	3/2/2020 <sup>(3)</sup>					2,130	1,342,837		
	3/2/2020 <sup>(4)</sup>							3,994	2,517,977
	3/1/2019 <sup>(2)</sup>	—	2,832	176.75	3/1/26				
	3/1/2019 <sup>(3)</sup>					1,062	669,527		
	3/1/2019 <sup>(5)</sup>							5,310	3,347,636
Vahid Vahedi	3/1/2021 <sup>(2)</sup>	—	1,227	598.81	3/1/28				
	3/1/2021 <sup>(3)</sup>					1,636	1,031,400		
	3/1/2021 <sup>(4)</sup>							2,045	1,289,250
	3/2/2020 <sup>(2)</sup>	916	1,832	300.33	3/2/27				
	3/2/2020 <sup>(3)</sup>					1,832	1,154,966		
	3/2/2020 <sup>(4)</sup>							3,435	2,165,561
	3/1/2019 <sup>(2)</sup>	4,954	2,478	176.75	3/1/26				
	3/1/2019 <sup>(3)</sup>					930	586,309		
	3/1/2019 <sup>(5)</sup>							4,647	2,929,655
	3/1/2018 <sup>(2)</sup>	3,576	—	190.07	3/1/25				

<sup>(1)</sup> Calculated by multiplying the number of not vested units by \$630.44, the closing price of our common stock on June 25, 2021.

<sup>(2)</sup> The stock options will become exercisable in three equal installments on the first, second, and third anniversaries of the grant date, subject to continued employment.

<sup>(3)</sup> The RSUs will vest in three equal installments on the first, second, and third anniversaries of the grant date, subject to continued employment.

<sup>(4)</sup> The Market-based PRSUs will vest on the third anniversary of the grant date, subject to continued employment. The Market-based PRSUs are shown at their target amount. The actual conversion of the Market-based PRSUs into shares of Lam common stock following the conclusion of the three-year performance period will range from 0% to 150% of that target amount, depending upon Lam's "total return" stock price performance (assuming any dividends paid are reinvested on the ex-dividend date) compared to the market price performance of the XSOX index over the applicable three-year performance period.

<sup>(5)</sup> The Market-based PRSUs will vest on the third anniversary of the grant date, subject to continued employment. The Market-based PRSUs are shown at their target amount. The actual conversion of the Market-based PRSUs into shares of Lam common stock following the conclusion of the three-year performance period will range from 0% to 150% of that target amount, depending upon Lam's stock price performance compared to the market price performance of the SOX index over the applicable three-year performance period.

<sup>(6)</sup> The stock options will become exercisable over four years (one quarter on the one-year anniversary of the grant date and the remainder on a pro-rated basis on the sixth day of every month thereafter for the next 36 months), subject to continued employment.

<sup>(7)</sup> The RSUs will vest over four years (one quarter of the RSUs on the one-year anniversary of the grant date and the remainder of the RSUs on a pro-rated basis on the sixth day of every month thereafter for the next 36 months), subject to continued employment.

<sup>(8)</sup> The RSUs will vest over four years (one quarter of the RSUs on the one-year anniversary of the grant date and the remainder of the RSUs on a pro-rated basis on the last day of every month thereafter for the next 36 months), subject to continued employment.

Figure 56. Option Exercises and Stock Vested During Fiscal Year 2021<sup>(1)</sup>

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Timothy M. Archer	70,024	20,458,253	35,798	20,832,961
Douglas R. Bettinger	16,900	5,137,708	26,940	14,235,255
Richard A. Gotscho	10,587	3,169,621	14,016	8,365,817
Patrick J. Lord	10,949	2,982,046	10,961	6,536,452
Vahid Vahedi	—	—	9,749	5,814,486

<sup>(1)</sup> The table shows all stock options exercised and the value realized upon exercise, and all RSUs and Market-based PRSUs vested and the value realized upon vesting.

Figure 57. Nonqualified Deferred Compensation

Name	Executive Contributions in FY 2021 (\$) <sup>(1)</sup>	Registrant Contributions in FY 2021 (\$) <sup>(2)</sup>	Aggregate Earnings in FY 2021 (\$) <sup>(3)</sup>	Aggregate Balance at 2021 Fiscal Year-End (\$) <sup>(4)</sup>
Timothy M. Archer	615,288	—	1,531,822	9,635,170
Douglas R. Bettinger	753,013	2,500	1,439,319	5,978,942
Richard A. Gotscho	—	—	158,404	2,430,680
Patrick J. Lord	—	—	—	—
Vahid Vahedi	—	—	—	—

<sup>(1)</sup> The entire amount of each executive's contributions in fiscal year 2021 is reported in each respective NEO's compensation in our fiscal year 2021 "Summary Compensation Table" above.

<sup>(2)</sup> Represents the amount that Lam credited to the Elective Deferred Compensation Plan (the "EDCP"), which is 3% of the executive's salary contribution during calendar years 2020 and 2021, to a maximum annual benefit of \$2,500. These amounts are included in the "Summary Compensation Table" and "All Other Compensation Table for Fiscal Year 2021" above.

<sup>(3)</sup> The NEOs did not receive above-market or preferential earnings in fiscal year 2021.

<sup>(4)</sup> The fiscal year-end balance includes \$7,488,060 for Mr. Archer, \$3,784,110 for Mr. Bettinger, and \$2,272,276 for Dr. Gotscho that were previously reported in the "FY2020 Non-Qualified Deferred Compensation" table in our 2020 proxy statement. The fiscal year-end balance includes \$8,713,326 for Mr. Archer, \$5,978,942 for Mr. Bettinger, and \$475,433 for Dr. Gotscho that was contributed after December 31, 2004, or constitutes earnings on such contributions, and which is subject to distribution in the event of a Change in Control (as defined in the EDCP) as described in "Potential Payments upon Termination or Change in Control – Elective Deferred Compensation Plan" below.

## Potential Payments upon Termination or Change in Control

On December 22, 2020, the independent members of our Board adopted an executive severance policy (the "severance policy") and an executive change in control policy (the "change in control policy"), effective as of January 1, 2021. The policies are applicable to our NEOs and replaced the employment agreements and change in control agreements with our NEOs, which expired on December 31, 2020. The following is a summary of the policies.

### Executive Severance Policy

The severance policy applies to individuals serving as our CEO, president, executive vice president, and senior vice president (each, a "covered executive"), including each of our NEOs. However, certain provisions of the severance policy apply only to individuals serving as CEO, president or executive vice president (each, a "Tier 1 executive"), currently including Mr. Archer, Mr. Bettinger, Dr. Gotscho and Dr. Lord.

The severance policy provides that if an Involuntary Termination (as defined in the severance policy) of a Tier 1 executive's employment occurs, other than in connection with a Change in Control or an Acquisition (each as defined in the severance policy), the Tier 1 executive will be entitled to: (1) a lump-sum cash payment equal to 100% (150% for our CEO) of the Tier 1 executive's then-current annual base salary, plus an amount equal to 50% (100% for our CEO) of the average of the last five annual payments made to the Tier 1 executive under the short-term variable compensation or any predecessor or successor programs (the "Short-Term Program," and such average, the "Five-Year Average Amount"), plus an amount equal to the pro-rata amount the Tier 1 executive would have earned under the Short-Term Program for the calendar year in which the Tier 1 executive's employment is terminated had the Tier 1 executive's employment

continued until the end of such calendar year, such pro-rata portion to be calculated based on the performance results achieved under the Short-Term Program and the number of full months elapsed prior to the termination date; (2) certain medical benefits; (3) vesting, as of the date of termination, of a pro rata portion of the unvested stock option or RSU awards that are solely service-based granted to the Tier 1 executive at least 12 months prior to the termination date; and (4) a cash payment equal to the product of (x) a pro rata portion (based on the time from the first day of the Performance Period (as defined in the award agreements) until the earlier of the termination date or the last day of the Performance Period) of the unvested Market-based PRSU and/or other performance-based RSU awards granted to the Tier 1 executive, as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time from the first day of the Performance Period until the earlier of the termination date or the last day of the Performance Period and (y) the closing stock price on the date of termination.

If the Company carries out an Acquisition (as defined in the severance policy) during the period of a covered executive's employment, and if there is an Involuntary Termination of the covered executive's employment on or after the date of the initial public announcement of, or within the 24 months following the consummation of, the Acquisition, the covered executive will be entitled to: (1) a lump-sum cash payment equal to 150% (200% for our CEO) of the covered executive's then current annual base salary, plus an amount equal to 150% (200% for our CEO) of the Five-Year Average Amount, plus an additional amount equal to a pro rata amount (based on the number of full months worked in the calendar year during which the termination occurs) of the Five-Year Average Amount; (2) certain medical benefits; (3) vesting, as of the date of termination, of the unvested stock option or RSU awards that are solely service-based granted to the covered executive prior to the Acquisition; and (4) a cash payment equal to the product of (x) the sum of (i) a pro rata portion (based on time from the first day of the Performance Period until the earlier of the closing of the Acquisition or the last day of the Performance Period) of the unvested Market-based PRSUs/performance-based RSUs as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time from the first day of the Performance Period until the closing of the acquisition and (ii) a pro rata portion (based on time from the day following the closing of the Acquisition until the last day of the Performance Period) of the target number of unvested Market-based PRSUs/performance-based RSUs (i.e. unadjusted for performance) and (y) the closing stock price on the closing date of the Acquisition.

If a Tier 1 executive's employment is terminated due to disability or in the event of the Tier 1 executive's death, the Tier 1 executive (or the Tier 1 executive's estate) will be entitled to: (1) the pro rata amount the Tier 1 executive would have earned under the Short-Term Program for the calendar year in which the Tier 1 executive's employment is terminated had the Tier 1 executive's employment continued until the end of such calendar year, such pro rata portion to be calculated based on the performance results achieved under the Short-Term Program and the number of full months elapsed prior to the termination date; (2) certain medical benefits; (3) vesting, as of the date of termination, of any unvested stock option and RSU awards, that are solely service-based, granted to the Tier 1 executive prior to the date of termination; and (4) vesting, as of the date of termination, of portion of the unvested Market-based PRSU/performance-based RSU awards granted to the Tier 1 executive, as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time from the first day of the Performance Period until the earlier of the termination date or the last day of the Performance Period.

If the employment of a covered executive who is not a Tier 1 executive is terminated due to disability or in the event of the covered executive's death, the covered executive (or the covered executive's estate) will be entitled to: (1) vesting, as of the date of termination, of any unvested stock option and RSU awards, that are solely service-based, granted to the covered executive prior to the date of termination; and (2) vesting, as of the date of termination, of portion of the unvested Market-based PRSUs/performance-based RSUs awarded to the covered executive, as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time from the first day of the Performance Period until the earlier of the termination date or the last day of the Performance Period.

If a covered executive voluntarily resigns, the covered executive will be entitled to no additional benefits (except as the covered executive may be eligible for under the Company's Retiree Health Plans), outstanding stock options, RSUs and Market-based PRSUs/performance-based RSUs will cease to vest on the termination date, and stock options will be canceled unless they are exercised within ninety days after the termination date. All RSUs and Market-based PRSUs/performance-based RSUs will be canceled on the termination date.

The severance policy conditions all payments and benefits upon a covered executive's performance in all material respects of their confidentiality and non-compete obligations to the Company. The severance policy also requires a covered executive to execute a release in favor of the Company, which includes a non-solicitation obligation for a period of six months following the termination of the covered executive's employment, to receive the payments described above. Any compensation that is paid to a covered executive by the Company is subject to any applicable compensation recovery policy.

The severance policy may be amended at any time; provided, however, that any amendment that would adversely affect a covered executive will not be applicable without such covered executive's consent until the later of (i) 18 months following the date of such amendment, or (ii), if the amendment occurs during the Change In Control Protection Period (as defined in the change in control policy), the end of the Change In Control Protection Period.

## **Executive Change in Control Policy**

The change in control policy applies to individuals serving as covered executives, including each of our NEOs.

The change in control policy provides that if a Change in Control of the Company (as defined in the change in control policy) occurs during the period of a covered executive's employment, and if there is an Involuntary Termination of the covered executive's employment on or after the date of the initial public announcement of the transaction or within the 24 months following the Change in Control, the covered executive will be entitled to: (1) a lump-sum cash payment equal to 150% (200% for our CEO) of the covered executive's then current annual base salary, plus an amount equal to 150% (200% for our CEO) of the Five-Year Average Amount, plus an additional amount equal to a pro rata amount (based on the number of full months worked in the calendar year during which the termination occurs) of the Five-Year Average Amount; (2) certain medical benefits; (3) vesting, as of the date of termination, of the unvested stock option or RSU awards that are solely service-based granted to the covered executive prior to the Change in Control; and (4) conversion of any Market-based PRSUs/performance-based RSUs outstanding as of the Change in Control into a cash award payable at time of termination calculated as set forth in the award agreements (pursuant to the Company's current form of Market-based PRSU award agreement, the cash award would be equal to the product of (x) the sum of (i) a pro rata portion (based on time from the first day of the Performance Period until the earlier of the closing of the Change in Control or the last day of the Performance Period) of the unvested Market-based PRSUs/performance-based RSUs as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time from the first day of the Performance Period until the closing of the Change in Control and (ii) a pro rata portion (based on time from the day following the closing of the Change in Control until the last day of the Performance Period) of the target number of unvested Market-based PRSUs/performance-based RSUs (i.e. unadjusted for performance) and (y) the closing stock price on the closing date of the Change in Control).

If the Company is acquired by another entity in connection with a Change in Control of the Company (as defined in the severance policy) during the period of a covered executive's employment, and there is or will be no market for the Company's common stock, and if the acquiring company does not provide the covered executive with stock options and RSU awards comparable to the unvested stock option or RSU awards that are not performance-based that are granted to the covered executive prior to the Change in Control, then regardless of whether the covered executive's employment is terminated, the covered executive will be entitled to the vesting, immediately prior to the Change in Control, of all such unvested stock option or RSU awards that are not performance-based that are granted to the covered executive prior to the Change in Control.

The change in control policy conditions all payments and benefits upon a covered executive's performance in all material respects of their confidentiality and non-compete obligations to the Company. The change in control policy also requires a covered executive to execute a release in favor of the Company, which includes a non-solicitation obligation for a period of six months following the termination of the covered executive's employment, to receive the payments described above. Any compensation that is paid to a covered executive by the Company is subject to any applicable compensation recovery policy.

The change in control policy may be amended at any time; provided, however, that any amendment that would adversely affect a covered executive will not be applicable without such covered executive's consent until the later of (i) 18 months following the date of such amendment, or (ii) if the amendment occurs during the Change In Control Protection Period, the end of the Change In Control Protection Period.

## **Equity Plans**

In addition to the above, certain of our stock plans provide for accelerated benefits after certain events. While the applicable triggers under each plan vary, these events generally include: (1) a merger or consolidation in which the Company is not the surviving entity, (2) a sale of substantially all of the Company's assets, including a liquidation or dissolution of the Company, or (3) a change in the ownership of more than 50% of our outstanding securities by tender offer or similar transaction. After a designated event, the vesting of some or all of the awards granted under these plans may be immediately accelerated in full, or certain awards may be assumed, substituted, replaced, or settled in cash by a surviving corporation or its parent. The specific treatment of awards in a particular transaction will be determined by the Board and/or the terms of the applicable transaction documents.

## **Potential Payments to Named Executive Officers upon Termination or Change in Control**

The tables below summarize the potential payments to our NEOs, assuming an employment termination or change in control of the Company as of the end of fiscal year 2021. These amounts are calculated assuming that the employment termination or change in control occurs on the last day of fiscal year 2021, June 27, 2021. The closing price per share of our common stock on June 25, 2021, which was the last trading day of fiscal year 2021, was \$630.44. The short-term incentive program pro rata amounts are calculated by multiplying the applicable pro rata percentage by the target. Actual performance will not be known until after the end of calendar year 2021.

Figure 58. Potential Payments to NEOs upon Termination or Change in Control

Potential Payments to Mr. Archer upon Termination or Change in Control as of June 27, 2021					
	Voluntary Termination (\$)	Disability or Death (\$)	For Cause (\$)	Not for Cause (\$)	Involuntary Termination
<b>Compensation</b>					
Severance	—	—	—	1,575,000	2,100,000
Short-term Incentive (5-year average)	—	—	—	1,513,397	3,026,794
Short-term Incentive (pro rata)	—	765,625	—	765,625	630,582
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	20,985,830	—	1,618,591	20,985,830
Service-based Restricted Stock Units (Unvested and Accelerated)	—	16,849,139	—	1,306,902	16,849,139
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	42,616,483	—	23,881,067	37,108,329
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/COBRA Benefit	—	39,583	—	39,583	39,583
<b>Total</b>	<b>—</b>	<b>81,256,660</b>	<b>—</b>	<b>30,700,165</b>	<b>80,740,257</b>

Potential Payments to Mr. Bettinger upon Termination or Change in Control as of June 27, 2021					
	Voluntary Termination (\$)	Disability or Death (\$)	For Cause (\$)	Not for Cause (\$)	Involuntary Termination
<b>Compensation</b>					
Severance	—	—	—	678,976	1,018,464
Short-term Incentive (5-year average)	—	—	—	401,866	1,205,598
Short-term Incentive (pro rata)	—	325,343	—	325,343	334,888
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	2,752,962	—	578,211	2,752,962
Service-based Restricted Stock Units (Unvested and Accelerated)	—	16,859,857	—	435,634	16,859,857
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	13,953,529	—	8,275,155	12,263,949
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/COBRA Benefit	—	26,998	—	26,998	26,998
<b>Total</b>	<b>—</b>	<b>33,918,689</b>	<b>—</b>	<b>10,722,183</b>	<b>34,462,716</b>

Potential Payments to Dr. Gottscho upon Termination or Change in Control as of June 27, 2021					
	Voluntary Termination (\$)	Disability or Death (\$)	For Cause (\$)	Not for Cause (\$)	Involuntary Termination
<b>Compensation</b>					
Severance	—	—	—	613,912	920,868
Short-term Incentive (5-year average)	—	—	—	384,888	1,154,665
Short-term Incentive (pro rata)	—	230,217	—	230,217	320,740
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	2,351,617	—	489,325	2,351,617
Service-based Restricted Stock Units (Unvested and Accelerated)	—	3,325,571	—	377,003	3,325,571
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	11,911,533	—	7,038,232	10,453,326
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/Retiree Health Plans	658,000	658,000	658,000	658,000	658,000
<b>Total</b>	<b>658,000</b>	<b>18,476,938</b>	<b>658,000</b>	<b>9,791,577</b>	<b>19,184,787</b>

Potential Payments to Dr. Lord upon Termination or Change in Control as of June 27, 2021					
	Involuntary Termination				
	Voluntary Termination (\$)	Disability or Death (\$)	For Cause (\$)	Not for Cause (\$)	Change in Control or Acquisition by Lam (\$)
<b>Compensation</b>					
Severance	—	—	—	509,850	787,719
Short-term Incentive (5-year average)	—	—	—	286,345	859,034
Short-term Incentive (pro rata)	—	240,692	—	240,692	238,621
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	2,030,404	—	409,022	2,030,404
Service-based Restricted Stock Units (Unvested and Accelerated)	—	3,157,874	—	334,764	3,157,874
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	10,655,697	—	6,032,050	9,280,707
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/COBRA Benefit	—	40,497	—	40,497	40,497
<b>Total</b>	<b>—</b>	<b>16,125,164</b>	<b>—</b>	<b>7,853,220</b>	<b>16,394,856</b>

Potential Payments to Dr. Vahedi upon Termination or Change in Control as of June 27, 2021					
	Involuntary Termination				
	Voluntary Termination (\$)	Disability or Death (\$)	For Cause (\$)	Not for Cause (\$)	Change in Control or Acquisition by Lam (\$)
<b>Compensation</b>					
Severance	—	—	—	—	753,015
Short-term Incentive (5-year average)	—	—	—	—	799,708
Short-term Incentive (pro rata)	—	—	—	—	222,141
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	1,767,815	—	—	1,767,815
Service-based Restricted Stock Units (Unvested and Accelerated)	—	2,772,675	—	—	2,772,675
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	9,314,121	—	—	8,113,132
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/Retiree Health Plans	1,087,000	1,087,000	1,087,000	1,087,000	1,087,000
<b>Total</b>	<b>1,087,000</b>	<b>14,941,611</b>	<b>1,087,000</b>	<b>1,087,000</b>	<b>15,515,486</b>

### **Elective Deferred Compensation Plan**

As described above in “Compensation Discussion and Analysis – Primary Components of NEO Compensation; CY2020 Compensation Payouts; CY2021 Compensation Targets and Metrics – Other Benefits Not Available to All Employees – Elective Deferred Compensation Plan”, the Company maintains an Elective Deferred Compensation Plan in which all of the NEOs are eligible to participate. In addition to the potential payments shown in Figure 58, in the event of a Change in Control (as defined in the Elective Deferred Compensation Plan), all amounts credited to a participating NEO’s account (other than amounts contributed through December 31, 2004, and earnings thereon) will be distributed in a lump sum payment on the first business day of the 18th month following such Change in Control. The balance, and applicable amounts, of each NEO’s account as of the end of fiscal year 2021 are set forth in “Figure 57. Nonqualified Deferred Compensation”. Under the Elective Deferred Compensation Plan, amounts may be withdrawn or distributed from the plan through pre-scheduled payments or upon death, retirement, disability or a separation from service, as elected in advance by the participant in accordance with the terms of the plan.

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## **CEO Pay Ratio**

In accordance with SEC rules, we are providing the ratio of the annual total compensation of our CEO, to the median of the annual total compensation of our employees (other than our CEO). The fiscal year 2021 annual total compensation of our CEO, Mr. Archer, was \$15,495,736, the fiscal year 2021 annual total compensation of our median compensated employee (other than our CEO) was \$129,535, and the ratio of these amounts was 120 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our human resources system of record and the methodology described below. Because the SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

For purposes of identifying our median compensated employee in fiscal year 2021, we used our global employee population as of June 27, 2021, identified based on our human resources system of record. We used total direct compensation as our consistently applied compensation measure for such population. In this context, total direct compensation means the sum of the applicable annual base salaries determined as of June 27, 2021, the incentive cash target amount payable for service in calendar year 2021, and the approved value of the annual equity awards granted during fiscal year 2021 for our global employee population. We annualized the annual base salary and incentive cash target amounts for all employees who did not work for the entire year. Given its global population, the Company used the foreign currency exchange rates in effect at the end of fiscal year 2021 to determine the annual total direct compensation and therefore the median compensated employee. After identifying our median compensated employee, we then calculated the annual total direct compensation for our median compensated employee using the same methodology used for our CEO as set forth in the "Summary Compensation Table" of this proxy statement.

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## **Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information, as of June 27, 2021, regarding securities authorized for issuance under the Company's equity compensation plans. The Company's equity compensation plans include the 1999 Employee Stock Purchase Plan, the 2007 Stock Incentive Plan, the 2011 Stock Incentive Plan, and the 2015 Stock Incentive Plan, each as amended and as may be amended.

Since November 4, 2015, the Company has issued awards under the 1999 Employee Stock Purchase Plan and the 2015 Stock Incentive Plan, each as amended. The 1999 Employee Stock Purchase Plan was amended and restated by the Board on August 29, 2018 and approved at the 2018 Annual Meeting of Stockholders. Please see "*Proposal No. 3: Approval of the Adoption of the Lam Research Corporation 1999 Employee Stock Purchase Plan, as Amended and Restated*" in the 2018 proxy statement for additional information.

**Figure 59. Equity Compensation Plan Information**

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights <sup>(1)</sup> (\$)(b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,646,376 <sup>(2)</sup>	206.78	14,517,863 <sup>(3)</sup>
Equity compensation plans not approved by security holders	9,303 <sup>(4)</sup>	80.60	—
<b>Total</b>	<b>1,655,679</b>	<b>201.44</b>	<b>14,517,863</b>

<sup>(1)</sup> Weighted-average exercise prices do not include RSUs, including service-based RSUs and Market-based PRSUs.

<sup>(2)</sup> Includes 6,750 shares issuable upon stock option exercises under the Company's 2007 Stock Incentive Plan, as amended (the "2007 Plan"), and 1,639,626 shares issuable upon service-based RSUs vesting, Market-based PRSUs vesting or stock option exercises under the Company's 2015 Stock Incentive Plan (the "2015 Plan"). The 2007 Plan was adopted by the Board in August 2006, was approved by Lam's stockholders in November 2006, was amended by the Board in November 2006 and May 2013, and was retired in November 2015, when Lam's stockholders approved the Company's 2015 Plan. The term for each of the 2007 Plan and 2015 Plan was 10 years from the last date of any approval, amendment, or restatement of the plan by the Company's stockholders. The 2015 Plan reserves for issuance up to 18,000,000 shares of the Company's common stock. The 1,646,376 share total for plans approved by security holders, and the 1,655,679 shares shown as the total for all plan categories, assume shares will be issued at the maximum vesting amount for outstanding Market-based PRSUs. In contrast, the number of shares reported as subject to outstanding awards in Note 5 to the Consolidated Financial Statements of the Company's annual report on Form 10-K for the fiscal year ended June 27, 2021 assumes that, for outstanding Market-based PRSUs, shares will be issued at the target vesting amount. The number of shares issuable at the maximum vesting amount for outstanding Market-based PRSUs is 130,125 shares greater than the number of shares issuable at the target vesting amount.

<sup>(3)</sup> Includes 8,585,404 shares available for future issuance under the 2015 Plan and 5,932,459 shares available for future issuance under the 1999 Employee Stock Purchase Plan, as amended (the "1999 ESPP"). All of the shares available for future issuance under the 1999 ESPP are available to purchase during the current purchase period, but the actual number of shares that can be purchased depends on the purchase price, which is not fixed until the end of the purchase period, and is subject to limits on purchases by individuals. The number of shares that may be purchased by an individual in the current purchase period under the 1999 ESPP cannot exceed 10,000 shares and the total fair market value of shares that can be purchased by an individual during a calendar year cannot exceed \$25,000. The 1999 ESPP was adopted by the Board in September 1998, was approved by Lam's stockholders in November 1998, was amended by stockholder approval in November 2003, was amended by stockholder approval in November 2012, and was most recently amended by the Board in August 2018. The term of the 1999 ESPP is 20 years from its effective date of August 29, 2018, unless otherwise terminated or extended in accordance with its terms.

<sup>(4)</sup> Includes 9,303 shares issuable upon stock option exercises under the Company's 2011 Stock Incentive Plan, as amended (the "2011 Plan"). As part of the acquisition of Novellus Systems, Inc., Lam assumed the Novellus Systems, Inc. 2011 Stock Incentive Plan. The 2011 Plan was approved by Novellus shareholders before the merger but has not been approved by a separate vote of Lam stockholders. The 2011 Plan was amended by the Board in July 2012. The term of the 2011 Plan was 10 years from its effective date of May 10, 2011, unless otherwise terminated or extended in accordance with its terms, and the 2011 Plan was retired in November 2015 when the 2015 Plan was approved by stockholders.

# Audit Matters

## Audit Committee Report

The audit committee operates under a written charter adopted by the Board that outlines its purpose and responsibilities. The audit committee reviews and assesses the adequacy of its charter at least annually and, when appropriate, recommends to the Board changes to its charter to reflect the evolving role of the audit committee. The charter of the audit committee is available on the Investors section of our website at [investor.lamresearch.com/corporate-governance](http://investor.lamresearch.com/corporate-governance).

The audit committee is composed entirely of directors who meet the independence requirements of Nasdaq and the SEC, and who otherwise satisfy the requirements for audit committee service imposed by the Exchange Act. The Board has designated all of the audit committee members as “audit committee financial experts” under the SEC rules.

The Company’s management, audit committee, and independent registered public accounting firm (Ernst & Young LLP) have specific but different responsibilities relating to Lam’s financial reporting. Lam’s management is responsible for the preparation, presentation and integrity of financial statements and for the system of internal control and the financial reporting process. Ernst & Young LLP (“EY”) has the responsibility to express an opinion on the financial statements and the system of internal control over financial reporting, based on the audit they conducted in accordance with the standards of the Public Company Accounting Oversight Board (U.S.) (the “PCAOB”). The audit committee is responsible for monitoring and overseeing these processes. The audit committee relies on the expertise and knowledge of management, the internal audit department, and the independent auditor in carrying out its oversight responsibilities.

In accordance with applicable law, the audit committee has ultimate authority and responsibility for selecting, compensating, evaluating, and, when appropriate, replacing the Company’s independent audit firm, and evaluates its independence. The audit committee has the authority to engage its own outside advisors, including experts as the committee considers necessary to carry out its responsibilities, apart from counsel or advisors hired by management.

In this context and in connection with the audited financial statements contained in the Company’s Annual Report on Form 10-K for the fiscal year ended June 27, 2021, the audit committee took the following actions:

- Received and discussed the audited financial statements with Company management;
- Discussed with EY the matters required to be discussed by applicable requirements of the PCAOB and the SEC;
- Received and discussed the written disclosures and the letter from EY as per applicable requirements of the PCAOB regarding the independent registered public accounting firm’s communications with the audit committee concerning independence, and discussed with EY its independence; and
- Based on the foregoing reviews and discussions, recommended to the Board that the audited financial statements be included in the Company’s 2021 Annual Report on Form 10-K for the fiscal year ended June 27, 2021 for filing with the SEC.

This Audit Committee Report shall not be deemed “filed” with the SEC for purposes of federal securities law, and it shall not, under any circumstances, be incorporated by reference into any of the Company’s past or future SEC filings. The report shall not be deemed soliciting material.

### MEMBERS OF THE AUDIT COMMITTEE

*Michael R. Cannon*

*Catherine P. Lego*

*Bethany J. Mayer*

*Leslie F. Varon (Chair)*

## **Relationship with Independent Registered Public Accounting Firm**

EY has audited the Company's consolidated financial statements since the Company's inception.

### **Annual Evaluation and Selection of Independent Registered Public Accounting Firm**

The audit committee annually evaluates the performance of the Company's independent registered public accounting firm, including the senior audit engagement team, and determines whether to reengage the current accounting firm or consider other audit firms. Factors considered by the audit committee in deciding whether to retain EY include: (1) EY's global capabilities to handle the breadth and complexity of the Company's global operations; (2) EY's technical expertise and knowledge of the Company's industry and global operations; (3) the quality and candor of EY's communications with the audit committee and management; (4) EY's independence; (5) the quality and efficiency of the services provided by EY, including input from management on EY's performance and how effectively EY demonstrated its independent judgment, objectivity and professional skepticism; (6) the appropriateness of EY's fees; and (7) EY's tenure as our independent auditor, including the benefits of that tenure, and the controls and processes in place (such as rotation of key partners) that help ensure EY's continued independence in light of such tenure.

Figure 60. Independent Registered Public Accounting Firm Evaluation and Selection Highlights

#### **Independence Controls**

**Audit Committee Oversight** – Oversight includes regular private sessions with EY, discussions with EY about the scope of its audit and business imperatives, a comprehensive annual evaluation when determining whether to engage EY, and direct involvement by the audit committee and its chair in the selection of a new global coordinating partner in connection with the mandated rotation of this position.

**Limits on Non-Audit Services** – The audit committee preapproves audit and permissible non-audit services provided by EY in accordance with its pre-approval policy.

**EY's Internal Independence Process** – EY conducts periodic internal reviews of its audit and other work, assesses the adequacy of partners and other personnel working on the Company's account, and rotates the lead assurance engagement partner, the global coordinating partner, and other partners on the engagement consistent with independence and rotation requirements established by the PCAOB and SEC.

**Strong Regulatory Framework** – EY, as an independent registered public accounting firm, is subject to PCAOB inspections, "Big 4" peer reviews and PCAOB and SEC oversight.

#### **Benefits of Longer Tenure**

**Enhanced Audit Quality** – EY's significant institutional knowledge of, and deep expertise in, the Company's semiconductor equipment industry and global business, accounting policies and practices, and internal control over financial reporting enhances audit quality.

**Competitive Fees** – Because of EY's familiarity with the Company and the industry, audit and other fees are competitive with peer independent registered public accounting firms.

**Avoid Costs Associated with New Auditor** – Bringing on a new independent registered public accounting firm would be costly and require a significant time commitment, which could lead to management distractions.

## Fees Billed by Ernst & Young LLP

The table below shows the fees billed by EY for audit and other services provided to the Company in fiscal years 2021 and 2020.

**Figure 61. Fees Billed by Ernst & Young LLP**

	Fiscal Year 2021 (\$)	Fiscal Year 2020 (\$)
Audit Fees <sup>(1)</sup>	4,640,541	4,504,880
Audit-Related Fees <sup>(2)</sup>	7,000	7,000
Tax Fees <sup>(3)</sup>	63,296	211,416
All Other Fees	—	—
<b>TOTAL</b>	<b>4,710,837</b>	<b>4,723,296</b>

(1) Audit Fees represent fees for professional services provided in connection with the audits of annual financial statements. Audit Fees also include reviews of quarterly financial statements, audit services related to other statutory or regulatory filings or engagements, and fees related to EY's audit of the effectiveness of the Company's internal control over financial reporting pursuant to section 404 of the Sarbanes-Oxley Act.

(2) Audit-Related Fees represent fees for assurance and related services that are reasonably related to the audit or review of the Company's financial statements and are not reported above under "Audit Fees". These fees include services provided for agreed upon procedures related to financial assurance certification for certain costs related to local regulatory requirements in fiscal year 2021.

(3) Tax Fees represent fees for professional services for tax planning, tax compliance and review services related to foreign tax compliance and assistance with tax audits and appeals.

The audit committee reviewed summaries of the services provided by EY and the related fees during fiscal year 2021 and has determined that the provision of non-audit services was compatible with maintaining the independence of EY as the Company's independent registered public accounting firm. The audit committee or its delegate approved 100% of the services and related fee amounts for services provided by EY during fiscal year 2021.

## Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services

It is the responsibility of the audit committee to approve, in accordance with sections 10A(h) and (i) of the Exchange Act and the rules and regulations of the SEC, all professional services to be provided to us by our independent registered public accounting firm, provided that the audit committee may not approve any non-audit services proscribed by section 10A(g) of the Exchange Act in the absence of an applicable exemption.

It is our policy that the audit committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm, consistent with the criteria set forth in the audit committee charter and applicable laws and regulations. The audit committee has delegated to the chair of the audit committee the authority to pre-approve such services, provided that the chair shall report any decisions to pre-approve such services to the full audit committee at its next regular meeting. These services may include audit services, audit-related services, tax services, and other services. Our independent registered public accounting firm and our management are required to periodically report to the audit committee regarding the extent of services provided by our independent registered public accounting firm pursuant to any such pre-approval.

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## Certain Relationships and Related Party Transactions

The audit committee is responsible for the review and oversight of all related party transactions required to be disclosed to the public under SEC rules pursuant to its written charter. In addition, the Company maintains a written code of ethics that requires all employees, officers and directors to act ethically when handling any actual or apparent conflicts of interest in personal and professional relationships and to promptly report any such issues to the Company's legal department.

No family relationships exist as of the date of this proxy statement or existed during fiscal year 2021 among any of our directors and executive officers. The Company participated in one transaction (including employment and compensation associated therewith) since the beginning of fiscal year 2021 in which a director, director nominee, executive officer, or one of their immediate family members had a material interest and the amount involved exceeded \$120,000. Specifically, the brother-in-law of Ava Hahn, our Senior Vice President, Chief Legal Officer and Secretary, Eric Samulon, is employed by the Company as a senior manager of product development in the etch business unit. In fiscal year 2021, the aggregate compensation paid to Mr. Samulon, including salary, incentive compensation, the grant date value of long-term incentive awards and the value of any health and other benefits contributed to or paid for by the Company, was less than \$300,000. Mr. Samulon's aggregate compensation is similar to the aggregate compensation of other employees holding equivalent positions.

On February 8, 2021, FMR LLC ("FMR") filed an amendment to Schedule 13G reporting the beneficial ownership, together with its affiliates, of 8,898,166 shares of our common stock, or approximately 6.32% of the shares outstanding on September 9, 2021. As a result of beneficially owning more than 5% of our common stock, FMR may be deemed to have been a related person of the Company during fiscal year 2021. Certain affiliates of FMR provide services to us in connection with the administration of our equity compensation plans and our 401(k) plan. The Company paid approximately \$435,000 to affiliates of FMR for services during fiscal year 2021.

# Voting Proposals

## Proposal No. 1: Election of Directors

This first proposal relates to the election to the Board of nine nominees who are directors of the Company as of the date of this proxy statement. In general, the nine nominees identified in this proposal who receive the highest number of “for” votes will be elected. However, any nominee who fails to receive affirmative approval from holders of a majority of the votes cast in such nominee’s election at the annual meeting, either by proxy or in person, will not be elected to the Board, even if they are among the top nine nominees in total “for” votes. This requirement reflects the majority vote provisions implemented by the Company in November 2009. The term of office of each person elected as a director will be until the next annual meeting of stockholders, or until their successor is elected and qualified or their earlier resignation or removal.

Unless otherwise instructed, the people named on the proxy card as proxy holders (the “Proxy Holders”) will vote the proxies received by them for the nine nominees named below, each of whom is currently a director of the Company. The proxies cannot be voted for more than nine nominees, whether or not there are additional nominees. If any nominee of the Company should decline or be unable to serve as a director as of the time of the annual meeting, then unless otherwise instructed, the proxies will be voted for any substitute nominee designated by the then-current Board to fill the vacancy. The Company is not aware of any nominee who will be unable, or will decline, to serve as a director.

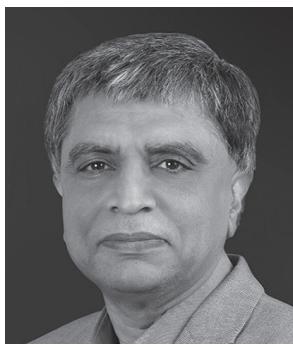
The nominees for election or reelection have been nominated for election to the Board in accordance with the criteria and procedures discussed above in “Governance Matters – Corporate Governance.”

**Information Regarding Each Nominee.** In addition to the biographical information concerning each nominee’s specific experience, attributes, positions and qualifications and age as of September 9, 2021, we believe that each of our nominees, while serving as a director and/or officer of the Company, has devoted adequate time to the Board and performed their duties with critical attributes such as honesty, integrity, wisdom, and an adherence to high ethical standards. Each nominee has demonstrated strong business acumen, an ability to make independent analytical inquiries, to understand the Company’s business environment and to exercise sound judgment, as well as a commitment to the Company and its core values. We believe the nominees have diverse viewpoints, skills, backgrounds, and experiences that will encourage a robust decision-making process for the Board.



**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” EACH OF THE NINE DIRECTOR NOMINEES SET FORTH BELOW.**

## 2021 Nominees for Director



### **Sohail U. Ahmed**

Director since 2019

Age 63

#### **Board Committees:**

- Compensation and Human Resources
  - *Member since 2020*

Mr. Ahmed is the former Senior Vice President and General Manager of the Technology and Manufacturing Group at Intel Corporation, a leading producer of microchips, computing and communications products, where he was responsible for overseeing the research and development and deployment of next-generation silicon logic technologies for production of future Intel microprocessors. He held that position from January 2015 to October 2018. Immediately prior to that, he was Corporate Vice President and General Manager, Logic Technology Department at Intel from 2004 to January 2015. Mr. Ahmed joined Intel in 1984, working as a process engineer, and held progressive technical and management positions in logic process development.

Mr. Ahmed earned an M.S. degree in chemical engineering from the University of California, Davis, and a B.S. degree in chemical engineering from the University of Southern California.

The Board has concluded that Mr. Ahmed should serve as a director of the Company because of his extensive knowledge and experience acquired as an executive of a major semiconductor manufacturer focused on next-generation silicon logic technologies, his deep knowledge and understanding of semiconductor processing equipment technologies, and his experience as a senior executive of a major Company customer.



### **Timothy M. Archer**

Director since 2018

Age 54

Timothy M. Archer has served as the Company's President and Chief Executive Officer since December 5, 2018. Mr. Archer joined the Company in June 2012 as our executive vice president, chief operating officer; and was promoted to president and chief operating officer in January 2018. Prior to joining us, he spent 18 years at Novellus Systems, Inc. in various technology development and business leadership roles, including most recently as chief operating officer from January 2011 to June 2012; executive vice president of Worldwide Sales, Marketing, and Customer Satisfaction from September 2009 to January 2011; and executive vice president of the PECVD and Electrofill Business Units from November 2008 to September 2009. His tenure at Novellus also included assignments as senior director of technology for Novellus Systems Japan from 1999 to 2001 and senior director of technology for the Electrofill Business Unit from April 2001 to April 2002. He started his career in 1989 at Tektronix, where he was responsible for process development for high-speed bipolar integrated circuits.

Mr. Archer serves as chairman of the board for the National GEM Consortium, a nonprofit organization that is dedicated to increasing the participation of underrepresented groups at the master's and doctoral levels in engineering and science.

Mr. Archer completed the Program for Management Development at the Harvard Graduate School of Business and earned a B.S. degree in applied physics from the California Institute of Technology.

The Board has concluded that Mr. Archer should serve as a director of the Company because of his strong leadership; his knowledge and experience acquired from his current service as President, Chief Executive Officer and a director of the Company, and his past service as President and Chief Operating Officer, and as Executive Vice President and Chief Operating Officer of the Company; his deep knowledge and understanding of semiconductor processing equipment technologies; his understanding of our customers' markets and needs; and his mergers and acquisitions experience.



## Eric K. Brandt

Director since 2010

Age 59

### Board Committees:

- Audit
  - *Chair: 2014 – 2020*
  - *Member: 2010 – 2014*
- Compensation and Human Resources
  - *Chair since 2020*
- Nominating and Governance
  - *Member since 2019*

### Public company directorships in last five years:

- NortonLifeLock, Inc.
- Dentsply Sirona Inc.
- The Macerich Company
- Altaba Inc. (former)
- Yahoo! Inc. (former)

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Eric K. Brandt is the former Executive Vice President and Chief Financial Officer of Broadcom Corporation, a global supplier of semiconductor devices, a position he held from March 2007 until its merger with Avago Technologies Limited in February 2016. From September 2005 to March 2007, Mr. Brandt served as President and Chief Executive Officer of Avanir Pharmaceuticals, Inc., a pharmaceutical company. Prior to Avanir Pharmaceuticals, Mr. Brandt was Executive Vice President-Finance and Technical Operations and Chief Financial Officer of Allergan Inc., a global specialty pharmaceutical company, where he also held a number of other senior positions following his arrival there in May 1999.

Mr. Brandt has served as a member of the board of directors of: NortonLifeLock, Inc., a consumer cyber security provider, since February 2020, where he is the chair of the audit committee; The Macerich Company, a real estate investment trust focused on regional malls, since June 2018, where he is a member of the compensation committee and is the chair of the capital allocation committee; Altaba Inc. (formerly Yahoo! Inc.), a management investment company that remained, and was subsequently renamed, following the completion of Yahoo!'s sale of its operating businesses in June 2017 (and which is in the process of a stockholder approved plan of dissolution and liquidation), since its inception, where he is the chairman of the board, chair of the audit committee and nominating and governance committee, and a member of the compensation committee; and Dentsply Sirona Inc. (formerly Dentsply International, Inc.), a manufacturer and distributor of dental product solutions, since 2004, where he is the non-executive chairman of the board, chair of the executive committee, and a member of the corporate governance and nominating committee, and has served as a member of the human resources committee and the audit and finance committee.

He previously served on the board of directors of: MC10, Inc., a privately-held medical device Internet of Things (IoT) company, from March 2016 until February 2018, where he was chair of the compensation committee and governance committee; Yahoo! Inc., a digital information discovery company, since March 2016 to June 2017, where he was chairman of the board and chair of the audit and finance committee; Vertex Pharmaceuticals, Inc., a pharmaceutical company, from 2002 to 2009, where he was chair of the audit committee, and a member of the nominating and governance committee; and Avanir Pharmaceuticals from 2005 to 2007.

Mr. Brandt earned an M.B.A. degree from the Harvard Graduate School of Business and a B.S. degree in chemical engineering from the Massachusetts Institute of Technology.

The Board has concluded that Mr. Brandt should serve as a director of the Company because of his financial expertise including as a former chief financial officer of a publicly traded company that is a customer of our customers; his knowledge of and experience in the semiconductor industry and other technology industries; his mergers and acquisitions experience; his board governance experience from service on other public company boards, including as an audit committee member and chair, a compensation committee member and a nominating and governance committee member and chair; and his cybersecurity expertise.



## Michael R. Cannon

Director since 2011

Age 68

### Board Committees:

- Audit
  - *Member since 2011*
- Nominating and Governance
  - *Chair since 2019*
  - *Member 2011 – 2019*

### Public company directorships in last five years:

- Dialog Semiconductor
- Seagate Technology Public Limited

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Michael R. Cannon is the General Partner of MRC & LBC Partners, LLC, a private management consulting company. From February 2007 until his retirement in January 2009, Mr. Cannon served as President of Global Operations of Dell Inc., a computer systems manufacturer and services provider; and from January 2009 to January 2011, he served as a consultant to Dell. Prior to joining Dell, he was President and Chief Executive Officer of Solectron Corporation, an electronic manufacturing services company, from January 2003 to February 2007. From July 1996 to January 2003, Mr. Cannon served as President and Chief Executive Officer of Maxtor Corporation, a disk drive and storage systems manufacturer. Prior to joining Maxtor, Mr. Cannon held senior management positions at International Business Machines Corp. (IBM), a global services, software and systems company.

Mr. Cannon has served as a member of the board of directors of: Seagate Technology Public Limited, a disk drive and storage solutions company, since February 2011, where he became chairman of the board in July 2020, is a member of the nominating and corporate governance committee and the compensation committee, and has served as lead independent director, as the chair of the nominating and corporate governance committee, and as a member of the audit and finance committees; and Dialog Semiconductor, a mixed signal integrated circuits company, since February 2013, where he is a member of the remuneration committee and the nomination committee and has served as the chair of the remuneration committee.

He previously served on the board of directors of Adobe Systems Inc., a diversified software company, from December 2003 to April 2016, where he had been a member of the audit committee and chair of the compensation committee; Elster Group SE, a precision metering and smart grid technology company, from October 2010 until the company was acquired in August 2012; Solectron Corporation, an electronic manufacturing services company, from January 2003 to January 2007; and Maxtor Corporation, a disk drive and storage solutions company, from July 1996 until Seagate acquired Maxtor in May 2006.

Mr. Cannon studied mechanical engineering at Michigan State University and completed the Advanced Management Program at the Harvard Graduate School of Business.

The Board has concluded that Mr. Cannon should serve as a director of the Company because of his industry knowledge; his marketing experience; his experience as President at a public corporation that is a customer of our customers; his finance experience; his 20 years of international business experience; his experience with mergers and acquisitions; and his extensive board experience as a director on other public company boards, including service on audit, compensation and nominating and governance committees.



## Catherine P. Lego

Director since 2006

Age 64

### Board Committees:

- Audit
  - *Chair: 2009 – 2014*
  - *Member since 2020, previously 2006 – 2015*
- Compensation and Human Resources
  - *Chair: 2015 – 2020*
- Nominating and Governance
  - *Member since 2014*

### Public company directorships in last five years:

- Cirrus Logic, Inc.
- Guidewire Software, Inc.
- IPG Photonics Corporation (former)
- Cypress Semiconductor Corp. (former)
- Fairchild Semiconductor International Inc. (former)

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Catherine P. Lego is the founder of Lego Ventures LLC, a consulting services firm for early stage electronics companies, which she operated from 1992 until December 2018. From December 1999 to December 2009, she was the General Partner of The Photonics Fund, LLP, an early stage venture capital investment firm focused on investing in components, modules and systems companies for the fiber optics telecommunications market, which she founded. Ms. Lego was a general partner at Oak Investment Partners, a venture capital firm, from 1981 to 1992. Prior to Oak Investment Partners, she practiced as a Certified Public Accountant with Coopers & Lybrand, an accounting firm.

Ms. Lego has served as a member of the board of directors of: Cirrus Logic, Inc., a fabless semiconductor supplier that specializes in analog, mixed-signal, and audio digital signal processing integrated circuits, since April 2020, where she is the chair of the governance and nominating committee; and Guidewire Software, Inc., an industry platform provider for property and casualty insurers, since September 2019, where she is the chair of the audit committee and a member of the nominating and corporate governance committee.

She previously served on the board of directors of the following public companies: IPG Photonics Corporation, a high-power fiber laser and amplifier company for diverse applications, from July 2016 to May 2021, where she was a member of the audit committee and chair of the compensation committee; Cypress Semiconductor Corp., an advanced embedded solutions company for automotive and other products, from September 2017 to April 2020, where she was the chair of the audit committee and a member of the nominating and corporate governance committee; Fairchild Semiconductor International Inc., a fabricator of power management devices, from August 2013 to September 2016, where she was a member of the compensation committee and nominating and governance committee; SanDisk Corporation, a global developer of flash memory storage solutions from 1989 to 2016, where she was the chair of the audit committee; ETEC Corporation, a producer of electron beam lithography tools, from 1991 through 1997; Uniphase Corporation (presently JDS Uniphase Corporation), a designer and manufacturer of components and modules for the fiber optic based telecommunications industry and laser-based semiconductor defect examination and analysis equipment, from 1994 until 1999, when it merged with JDS Fitel; Zitel Corporation, an information technology company, from 1995 to 2000; WJ Communications, Inc., a broadband communications company, from October 2004 to May 2008; and Micro Linear Corporation, a fabless analog semiconductor company. Ms. Lego also served as a member of the board of directors of other technology companies that are privately-held.

Ms. Lego earned an M.S. degree in accounting from the New York University Leonard N. Stern School of Business and a B.A. degree in economics and biology from Williams College.

The Board has concluded that Ms. Lego should serve as a director of the Company because of her experience on our Board, her substantial accounting and finance expertise, her knowledge of the electronics and semiconductor industries, her experience on boards of companies that are customers of our customers, her experience with mergers and acquisitions, and her board governance experience on other boards, including her service as a former chairman of an audit committee and current member of audit, compensation committee and nominating and governance committees.



## Bethany J. Mayer

Director since 2019

Age 59

### Board Committees:

- Audit
  - *Member since 2019*

### Public company directorships in last five years:

- Box, Inc.
- Marvell Technology Group Ltd.
- Sempra Energy Inc.
- Ixia (former)

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Bethany J. Mayer has served as an Executive Advisor of Siris Capital Group LLC, a private equity firm, since May 2021, where she previously served as an Executive Partner from January 2018 to April 2021. She was the Executive Vice President, Corporate Development and Technology of Sempra Energy, an energy services holding company, from November 2018 to January 2019. From September 2014 to December 2017, Ms. Mayer was the President and Chief Executive Officer of Ixia, a test, visibility, security solutions, network testing tools and virtual network security solutions provider for applications across physical and virtual networks that was ultimately acquired by Keysight Technologies in 2017. From May 2011 to May 2014, Ms. Mayer served as Senior Vice President and General Manager of Hewlett-Packard Company's (HP) Networking business unit and the Network Function Virtualization business unit. From 2010 until 2011, she served as Vice President, Worldwide Marketing and Alliances of HP's Enterprise Servers Storage and Networking Group. Prior to joining HP, she held leadership roles at Blue Coat Systems, Inc., a hardware, software, and services provider for cybersecurity and network management; Cisco Systems, Inc., an internet technology company; and Apple Computer, Inc., a technology company.

She has served as a member of the boards of directors of: Box, Inc., a cloud content management and file sharing service for businesses, since April 2020, where she is the chair of the board, chair of the compensation committee, and a member of the operating committee; Sempra Energy since June 2019 after serving from February 2017 to November 2018, where she is the chair of the environmental, health, safety and technology committee and a member of the executive committee; Marvell Technology Group Ltd, a infrastructure semiconductor solutions company, since May 2018, where she is a member of the audit committee; Electronics for Imaging Inc., a privately held print technology company, since July 2019; and NextRoll, Inc., a privately held marketing technology company, since August 2021.

Ms. Mayer previously served on the boards of directors of: Pulse Secure, LLC, a privately-held provider of access and mobile security solutions to both enterprises and service providers, from September 2019 to December 2020, where she was the chairperson of the board, and previously served as a member from January 2018 to November 2018; SnapRoute, Inc., a privately-held developer of open source network stacks for enterprises, from May 2018 to July 2019; DataStax, Inc., a privately-held database software provider for cloud applications, from May 2018 to April 2019; Delphi Automotive PLC, an auto parts supplier, from August 2015 to April 2016; and Ixia from September 2014 to December 2017.

Ms. Mayer earned an M.B.A. degree from CSU-Monterey Bay and a B.S. degree in political science from Santa Clara University.

The Board has concluded that Ms. Mayer should serve as a director of the Company because of her leadership skills and her experience in operational roles at companies in various technology industries, including networks, network management, servers, security solutions, cybersecurity and internet technology; and her board governance experience from service on other boards.



## Abhijit Y. Talwalkar

Chairman  
Director since 2011  
Age 57

### Board Committees:

- Compensation and Human Resources
  - *Chair: 2012 – 2015*
  - *Member since 2015*
- Nominating and Governance
  - *Chair: 2015 – 2019*
  - *Member since 2019, previously 2015 – 2015*

### Public company directorships in last five years:

- Advanced Micro Devices Inc.
- iRhythm Technologies Inc.
- TE Connectivity Ltd.

Abhijit Y. Talwalkar is the former President and Chief Executive Officer of LSI Corporation, a leading provider of silicon, systems and software technologies for the storage and networking markets, a position he held from May 2005 until the completion of LSI's merger with Avago Technologies in May 2014. From 1993 to 2005, Mr. Talwalkar was employed by Intel Corporation, a leading producer of microchips, computing and communications products. At Intel, he held a number of senior management positions, including as Corporate Vice President and Co-General Manager of the Digital Enterprise Group, which was comprised of Intel's business client, server, storage and communications business, and as Vice President and General Manager for the Intel Enterprise Platform Group, where he focused on developing, marketing, and supporting Intel business strategies for enterprise computing. Prior to joining Intel, Mr. Talwalkar held senior engineering and marketing positions at Sequent Computer Systems, a multiprocessing computer systems design and manufacturer that later became a part of IBM; Bipolar Integrated Technology, Inc., a very-large-scale integration (VLSI) bipolar semiconductor company; and Lattice Semiconductor Inc., a service driven developer of programmable design solutions widely used in semiconductor components.

Mr. Talwalkar has served as a member of the board of directors of: Advanced Micro Devices Inc., a developer of high performance computing, graphics and visualization technologies, since June 2017, where he is a member of the compensation and leadership resources committee, the innovation and technology committee and the nominating and corporate governance committee; TE Connectivity Ltd., a connectivity and sensor solutions company, since March 2017, where he is a member of the management development and compensation committee and has served as a member of the audit committee; and iRhythm Technologies Inc., digital health care solutions company, since May 2016, where he is the chairman of the board and a member of the compensation committee and nominating and governance committee, and has served as a member of the audit committee.

He previously served as a member of the board of directors of LSI from May 2005 to May 2014 and the U.S. Semiconductor Industry Association from May 2005 to May 2014. He was additionally a member of the U.S. delegation for World Semiconductor Council proceedings.

Mr. Talwalkar earned a B.S. degree in electrical engineering from Oregon State University.

The Board has concluded that Mr. Talwalkar should serve as a director of the Company because of his experience in the semiconductor industry, including as the former chief executive officer of a semiconductor company and his previous role in the semiconductor industry's trade association; his technology experience; his business and operations leadership roles at other semiconductor companies that include a customer of the Company; his finance experience; his global business experience; his mergers and acquisitions experience; his board governance experience from service on other public company boards, including as chairman of another board; and his cybersecurity expertise.



## Lih Shyng (Rick L.) Tsai

Director since 2016  
Age 70

### Board Committees:

- Compensation and Human Resources
  - *Member since 2019*

### Public company directorships in last five years:

- MediaTek Inc.
- Chunghwa Telecom Co., Ltd. (former)
- NXP Semiconductors N.V. (former)
- USI Corporation (former)

Rick L. Tsai has served as the CEO of MediaTek Inc., a Taiwanese-listed global fabless semiconductor company, since February 2018. He was Co-CEO of MediaTek from June 2017 to February 2018. He is the former Chief Executive Officer of Chunghwa Telecom Co., Ltd., a Taiwanese integrated telecom service provider, a position he held from January 2014 until December 2016. From August 2011 to January 2014, Dr. Tsai concurrently served as Chief Executive Officer of TSMC Solar Ltd., a provider of high-performance solar modules, and TSMC Solid State Lighting Ltd. (SSL), a company providing lighting solutions that combine its parent's expertise in semiconductor manufacturing and rigorous quality control with its own integrated capabilities spanning epi-wafers, chips, emitter packaging and extensive value-added modules and light engines, both of which are wholly-owned subsidiaries of Taiwan Semiconductor Manufacturing Company, Limited (TSMC). Prior to these positions, Dr. Tsai was TSMC's President of New Businesses from June 2009 to July 2011 and President and CEO of TSMC from July 2005 to June 2009. Dr. Tsai held other key executive positions, such as COO, EVP of Worldwide Sales and Marketing, and EVP of Operations, since joining TSMC in 1989. Dr. Tsai served as President of TSMC's affiliate, Vanguard International Semiconductor, from 1999 to 2000. Prior to joining TSMC, Dr. Tsai held various technical positions at Hewlett Packard, an international information technology company, from 1981 to 1989.

Dr. Tsai has served as a member of the board of directors of MediaTek Inc. since June 2017.

He previously served on the board of directors of: USI Corporation, a Taiwanese-listed polyethylene manufacturer, from June 2014 until March 2019; NXP Semiconductors N.V., from July 2014 until June 2017; Chunghwa Telecom from January 2014 until December 2016, where he served as chairman; TSMC from 2003 to 2013; TSMC Solar and TSMC SSL from August 2011 to January 2014, where he served as their chairman; and Taiwan Semiconductor Industry Association (TSIA) from June 2009 to March 2013, where he served as chairman

Dr. Tsai earned a Ph.D. degree in material science and engineering from Cornell University and a B.S. degree in physics from the National Taiwan University in Taipei, Taiwan.

The Board has concluded that Dr. Tsai should serve as a director of the Company because of his substantial operational and leadership experience in global businesses, particularly through his service as President, CEO and director of TSMC, a major customer of the Company; his knowledge of the semiconductor and semiconductor equipment industry; his extensive executive and board experience for global technology companies, including NXP Semiconductor, Chunghwa Telecom and MediaTek; and his mergers and acquisitions experience.



## Leslie F. Varon

Director since 2019  
Age 64

### Board Committees:

- Audit
  - *Chair since 2020*
  - *Member 2019 – 2020*

### Public company directorships in last five years:

- Dentsply Sirona Inc.
- Hamilton Lane

Leslie F. Varon is the former Chief Financial Officer of Xerox Corporation, a document solutions company, a position she held from November 2015 until December 2016. From January 2017 until March 2017, when she retired from the company, she was a Special Advisor to the then new Xerox Chief Executive Officer. Her previous leadership roles during her tenure at Xerox include: Vice President, Investor Relations from March 2015 until October 2015; Vice President, Finance and Corporate Controller from July 2006 until February 2015, where she oversaw global financial operating executives and had responsibility for corporate financial planning and analysis, accounting, internal audit, risk management, global real estate and worldwide shared services centers; Vice President, North America Finance and Operational Support from October 2004 until June 2006; Vice President, Investor Relations and Corporate Secretary from 1997 until September 2004; and Director of Corporate Audit from 1993 until 1997.

Ms. Varon has served as a member of the boards of directors of: Dentsply Sirona, Inc., a manufacturer and distributor of dental product solutions, since January 2018, where she chairs the audit and finance committee; and Hamilton Lane, a private markets investment company, since May 2017, where she is the chair of the audit committee. She previously served on the board of directors of Xerox International Partners, a joint venture of Xerox and Fuji Xerox, from July 2006 until March 2017.

Ms. Varon earned an M.B.A. degree from Virginia Tech, and a B.S. degree in Psychology from Binghamton University.

The Board has concluded that Ms. Varon should serve as a director of the Company because of her substantial finance experience; her qualifications as an audit committee financial expert; her leadership experience as a former chief financial officer; her board governance experience on other public company boards, including her service as a current chair of two other public company audit committees; and her mergers and acquisitions experience.

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## **Proposal No. 2: Advisory Vote to Approve Our Named Executive Officer Compensation, or “Say on Pay”**

Section 14A of the Exchange Act enables the Company’s stockholders to vote to approve, on an advisory or non-binding basis, our named executive officer compensation, as disclosed in this proxy statement in accordance with SEC rules. Although the vote is advisory and is not binding on us or on our Board, our compensation and human resources committee and, as appropriate, our Board, will take into account the outcome of the vote when considering future executive compensation decisions and will evaluate whether any actions are necessary to address stockholder concerns.

We believe that our compensation philosophy has allowed us to attract, retain, and motivate qualified executive officers who have contributed to our success. For more information regarding the compensation of our named executive officers, our compensation philosophy, our 2020 Say on Pay results and our response, we encourage you to read the section of this proxy statement entitled *“Compensation Matters – Executive Compensation and Other Information – Compensation Discussion and Analysis,”* the compensation tables, and the narrative following the compensation tables for a more detailed discussion of our compensation policies and practices.

We are asking for stockholder approval, on an advisory or non-binding basis, of the following resolution:

**‘RESOLVED,** that the stockholders of Lam Research Corporation (the Company) hereby approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed pursuant to Item 402 of SEC Regulation S-K, including the *“Compensation Discussion and Analysis,”* the compensation tables and any related narrative disclosure included in the proxy statement.’

Each proxy received by the Proxy Holders will be voted “FOR” the advisory vote to approve the compensation of our named executive officers, unless the stockholder provides other instructions.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this proxy statement.

We provide for annual advisory votes to approve the compensation of our named executive officers. Unless modified, the next advisory vote to approve our named executive officer compensation will be at the 2021 annual meeting.

Stockholder approval of Proposal No. 2 requires the affirmative vote of the holders of a majority of the outstanding shares of common stock having voting power present, in person or by proxy, at the annual meeting.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE APPROVAL, ON AN ADVISORY OR NON-BINDING BASIS, OF OUR NAMED EXECUTIVE OFFICER COMPENSATION.**

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## **Proposal No. 3: Ratification of the Appointment of Ernst & Young LLP as our Independent Registered Public Accounting Firm for Fiscal Year 2022**

Stockholders are being asked to ratify the appointment of EY as the Company's independent registered public accounting firm for fiscal year 2022. Although the audit committee has the sole authority to appoint the Company's independent registered public accounting firm, as a matter of good corporate governance, the Board submits its selection to our stockholders for ratification. If the stockholders do not ratify the appointment of EY, the audit committee will contemplate whether to reconsider the appointment. EY has been the Company's independent registered public accounting firm (independent auditor) since fiscal year 1981.

Each proxy received by the Proxy Holders will be voted "FOR" the ratification of the appointment of EY, unless the stockholder provides other instructions.

Our audit committee meets periodically with EY to review both audit and non-audit services performed by EY, as well as the fees charged for those services. Among other things, the committee examines the effect that the performance of non-audit services, if any, may have upon the independence of the independent registered public accounting firm. All professional services provided by EY, including non-audit services, if any, are subject to approval by the audit committee in accordance with applicable securities laws, rules, and regulations. For more information, see "*Audit Matters – Audit Committee Report*" and "*Audit Matters – Relationship with Independent Registered Public Accounting Firm*" above.

A representative of EY is expected to be present at the annual meeting and will have an opportunity to make a statement if they so desire. The representative will also be available to respond to appropriate questions from the stockholders.

Stockholder approval of Proposal No. 3 requires the affirmative vote of the holders of a majority of the outstanding shares of common stock having voting power present, in person or by proxy, at the annual meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2022.

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## **Other Voting Matters**

We are not aware of any other matters to be submitted at the annual meeting. If any other matters properly come before the annual meeting, the Proxy Holders intend to vote the shares they represent as the Board may recommend or, if the Board does not make a recommendation, as the Proxy Holders decide in their reasonable judgment. It is important that your stock holdings be represented at the meeting, regardless of the number of shares you hold. We urge you to complete and return the accompanying proxy card in the enclosed envelope, or vote your shares by telephone or internet, as described in the materials accompanying this proxy statement.

# Voting and Meeting Information

## Information Concerning Solicitation and Voting

Our Board solicits your proxy for the 2021 Annual Meeting of Stockholders and any adjournment or postponement of the meeting, for the purposes described in the “*Notice of 2021 Annual Meeting of Stockholders*.” The sections below show important details about the annual meeting and voting.

### Record Date

Only stockholders of record at the close of business on September 9, 2021 (the “Record Date”) are entitled to receive notice of and to vote at the annual meeting.

### Shares Outstanding

As of the Record Date, 140,802,727 shares of common stock were outstanding.

### Quorum

Stockholders who hold shares representing a majority of our shares of common stock outstanding and entitled to vote on the Record Date must be present in person or represented by proxy to constitute a quorum. A quorum is required to transact business at the annual meeting. Virtual attendance at the annual meeting constitutes presence in person for purposes of a quorum at the annual meeting.

### Inspector of Elections

The Company will appoint an inspector of elections to determine whether a quorum is present. The inspector will also tabulate the votes cast at the annual meeting, whether cast in person or by proxy.

### Effect of Abstentions and Broker Non-Votes

Shares voted “abstain” and broker non-votes (shares held by brokers that do not receive voting instructions from the beneficial owner of the shares, and do not have discretionary authority to vote on a matter) will be counted as present for purposes of determining whether we have a quorum. For purposes of voting results, abstentions will not be counted with respect to the election of directors but will have the effect of “no” votes with respect to other proposals, and broker non-votes will not be counted with respect to any proposal.

### Voting by Proxy

Stockholders may direct the Proxy Holders on how to cast votes on their behalf by internet, telephone, or mail, per the instructions on the accompanying proxy card.

### Voting at the Meeting

This year's annual meeting will be a virtual meeting. Stockholders of record may vote electronically during the meeting by visiting the meeting website at [virtualshareholdermeeting.com/LRCX2021](http://virtualshareholdermeeting.com/LRCX2021). To vote during the meeting, a stockholder will need the 16-digit control number included on their Notice of Internet Access or proxy card. A beneficial owner of shares (i.e. an owner who is not the record holder of their shares) should refer to the voting instructions provided by the beneficial owner's brokerage firm, bank, or other stockholder of record holding such shares for the beneficial owner. Voting electronically during the meeting by a stockholder as described here will replace any previous votes of that stockholder submitted by proxy.

### Changing Your Vote

Stockholders of record may change their votes by revoking their proxies at any time before the polls close by (1) submitting a later-dated proxy by the internet, telephone or mail, or (2) submitting a vote electronically during the annual meeting. Before the annual meeting, stockholders of record may also deliver voting instructions to: Lam Research Corporation, Attention: Secretary, 4650 Cushing Parkway, Fremont, California 94538. If a beneficial owner holds shares through a bank or brokerage firm, or another stockholder of record, the beneficial owner must contact the stockholder of record in order to revoke any prior voting instructions.

### Voting Instructions

If a stockholder completes and submits proxy voting instructions, the Proxy Holders will follow the stockholder's instructions. If a stockholder submits proxy voting instructions but does not include voting instructions for each item, the Proxy Holders will vote as the

Board recommends on each item for which the stockholder did not include an instruction. The Proxy Holders will vote on any other matters properly presented at the annual meeting in accordance with their best judgment.

## Voting Results

We will announce preliminary results at the annual meeting. We will report final voting results at [investor.lamresearch.com](http://investor.lamresearch.com) and in a Form 8-K to be filed shortly after the annual meeting.

## Availability of Proxy Materials

Beginning on September 28, 2021, this proxy statement and the accompanying proxy card and 2021 Annual Report on Form 10-K to Stockholders will be mailed to stockholders entitled to vote at the annual meeting who have designated a preference for a printed copy. Stockholders who previously chose to receive proxy materials electronically were sent an email with instructions on how to access this year's proxy materials and the proxy voting site.

We have also provided our stockholders access to our proxy materials over the internet in accordance with rules and regulations adopted by the SEC. These materials are available on our website at [investor.lamresearch.com](http://investor.lamresearch.com). We will furnish, without charge, a printed copy of these materials and our 2021 Annual Report (including exhibits) on request by telephone (510-572-1615), by mail (to Investor Relations, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538), or by email (to [investor.relations@lamresearch.com](mailto:investor.relations@lamresearch.com)).

A Notice of Internet Availability of Proxy Materials will be mailed beginning on September 28, 2021 to all stockholders entitled to vote at the meeting. The notice will have instructions for stockholders on how to access our proxy materials through the internet and how to request that a printed copy of the proxy materials be mailed to them. The notice will also have instructions on how to elect to receive all future proxy materials electronically or in printed form. If you choose to receive future proxy materials electronically, you will receive an email each year with instructions on how to access the proxy materials and proxy voting site.

## Proxy Solicitation Costs

The Company will bear the cost of all proxy solicitation activities. Our directors, officers and other employees may solicit proxies personally or by telephone, email or other communication means, without any cost to Lam Research. In addition, we have retained D.F. King & Co., Inc. to assist in obtaining proxies by mail, facsimile or email from brokers, bank nominees and other institutions for the annual meeting. The estimated cost of such services is \$17,500 plus out-of-pocket expenses. D.F. King & Co, Inc. may be contacted at 48 Wall Street, New York, New York 10005. We are required to request that brokers and nominees who hold stock in their names furnish our proxy materials to the beneficial owners of the stock, and we must reimburse these brokers and nominees for the expenses of doing so in accordance with statutory fee schedules.

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## Other Meeting Information

### Annual Meeting Admission

All stockholders entitled to vote as of the Record Date are entitled to attend the annual meeting virtually. Stockholders of record may attend the meeting by visiting the meeting website at [virtualshareholdermeeting.com/LRCX2021](http://virtualshareholdermeeting.com/LRCX2021). To attend, a stockholder will need the 16-digit control number included on their Notice of Internet Access or proxy card. A beneficial owner of shares (i.e. an owner who is not the record holder of their shares) who wishes to attend the meeting should refer to the instructions provided by the beneficial owner's brokerage firm, bank, or other stockholder of record holding such shares for the beneficial owner.

### Asking Questions

Stockholders who wish to submit a question during the annual meeting may log into the virtual meeting platform at [virtualshareholdermeeting.com/LRCX2021](http://virtualshareholdermeeting.com/LRCX2021), beginning at 1:30 p.m. Pacific Standard Time on November 8, 2021, type their question where indicated, and click to submit.

We ask that you limit your questions to those that are relevant to the annual meeting or our business. Questions may not be addressed if they are, among other things, irrelevant to our business, related to pending or threatened litigation, disorderly, or repetitious of statements already made. In addition, questions may be grouped by topic by our management. Questions will be addressed during the appropriate portions of the meeting, and we may also respond by posting answers on our website after the annual meeting.

## Voting on Proposals

Pursuant to Proposal No. 1, Board members will be elected at the annual meeting to fill nine seats on the Board to serve until the next annual meeting of stockholders, and until their respective successors are elected and qualified, under a "majority vote" standard. The majority voting standard means that, even though there are nine nominees in total for the nine Board seats, a nominee will be elected only

if they receive an affirmative “for” vote from stockholders owning, as of the Record Date, at least a majority of the shares present and voted at the meeting in such nominee’s election by proxy or in person. If an incumbent fails to receive the required majority, their previously submitted resignation will be promptly considered by the Board. Each stockholder may cast one vote (“for” or “withhold”), per share held, for each of the nine nominees. Stockholders may not cumulate votes in the election of directors.

Each share is entitled to one vote on Proposals No. 2 and 3. Votes may be cast “for,” “against” or “abstain” on Proposals No. 2 and 3. Approval of Proposals No. 2 and 3 requires the affirmative vote of a majority of the shares of common stock present or represented by proxy and cast at the meeting.

If a stockholder votes by means of the proxy solicited by this proxy statement and does not instruct the Proxy Holders how to vote, the Proxy Holders will vote: “FOR” all individuals nominated by the Board; “FOR” approval, on an advisory basis, of our named executive officer compensation; and “FOR” the ratification of EY as the Company’s independent registered public accounting firm for fiscal year 2022.

## Voting by 401(k) Plan Participants

Participants in Lam’s Savings Plus Plan, Lam Research 401(k) (the “401(k) Plan”) who held Lam common stock in their personal 401(k) Plan accounts as of the Record Date, will receive this proxy statement, so that each participant may vote, by proxy, their interest in Lam’s common stock as held by the 401(k) Plan. The 401(k) Plan trustee will aggregate and vote proxies in accordance with the instructions in the proxies of employee participants that it receives.

## Stockholder Accounts Sharing the Same Last Name and Address; Stockholders Holding Multiple Accounts

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding Lam Research stock but who share the same address, we have adopted a procedure approved by the SEC called “householding.” Under this procedure, stockholders of record who have the same address and last name will receive only one copy of our proxy statement and annual report unless one of the stockholders notifies our investor relations department that one or more of them want to receive separate copies. This procedure reduces duplicate mailings and therefore saves printing and mailing costs, as well as natural resources. Stockholders who participate in householding will continue to have access to all proxy materials at [investor.lamresearch.com](http://investor.lamresearch.com), as well as the ability to submit separate proxy voting instructions for each account through the internet or by telephone.

Stockholders holding multiple accounts of Lam common stock may request separate copies of the proxy materials by contacting us by telephone (510-572-1615), by mail (to Investor Relations, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538) or by email (to [investor.relations@lamresearch.com](mailto:investor.relations@lamresearch.com)). Stockholders may also contact us by telephone, mail or email to request consolidation of proxy materials mailed to multiple accounts at the same address.

## Stockholder-Initiated Proposals and Nominations for 2022 Annual Meeting

**Proposals submitted under SEC rules for inclusion in the Company’s proxy statement.** Stockholder-initiated proposals (other than director nominations) may be eligible for inclusion in our proxy statement for next year’s 2022 annual meeting of stockholders (in accordance with SEC Rule 14a-8) and for consideration at the 2022 annual meeting of stockholders. The Company must receive a stockholder proposal no later than May 31, 2022 for the proposal to be eligible for inclusion. Any stockholder interested in submitting a proposal or nomination is advised to contact legal counsel familiar with the detailed securities law requirements for submitting proposals or nominations for inclusion in a company’s proxy statement.

**Proposed nominations of directors under Company bylaws for Proxy Access.** Our bylaws provide for “Proxy Access. Pursuant to the Proxy Access provisions of our bylaws, a stockholder, or a group of up to 20 stockholders, owning at least 3% of our outstanding common stock continuously for at least three years can nominate and include in our proxy materials director nominees constituting up to the greater of two individuals or 20% of the Board, provided that the stockholders and the nominees satisfy the requirements specified in our bylaws. If a stockholder or group of stockholders wishes to nominate one or more director candidates to be included in our proxy statement for the 2022 annual meeting of stockholders pursuant to Proxy Access, all of the information required by our bylaws must be received by the Secretary of the Company no earlier than May 1, 2022, and no later than May 31, 2022.

**Proposals and nominations under Company bylaws for presentation at the annual meeting but for which the proponent does not seek to include materials in our proxy statement.** Stockholders may also submit proposals for consideration and nominations of director candidates for election at the 2022 annual meeting by following certain requirements set forth in our bylaws. These proposals will not be eligible for inclusion in the Company’s proxy statement for the 2022 annual meeting of stockholders unless they are submitted in compliance with then applicable SEC rules or pursuant to the Proxy Access described above; however, they will be presented for consideration at the 2022 annual meeting of stockholders if the requirements established by our bylaws for stockholder proposals and nominations have been satisfied.

Our bylaws establish requirements for stockholder proposals and nominations not included in our proxy statement to be considered at the annual meeting. Assuming that the 2022 annual meeting of stockholders takes place at roughly the same date next year as the 2021 annual meeting (and subject to any change in our bylaws—which would be publicly disclosed by the Company—and to any provisions

of then-applicable SEC rules), a stockholder of record must submit the proposal or nomination in writing and it must be received by the Secretary of the Company no earlier than July 15, 2022, and no later than August 14, 2022.

For a full description of the requirements for submitting a proposal or nomination, see the Company's bylaws. Submissions or questions should be sent to: Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538.

By Order of the Board of Directors,



Ava M. Hahn  
*Secretary*

Fremont, California  
Dated: September 28, 2021

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended June 27, 2021

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: 0-12933

**LAM RESEARCH CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**94-2634797**

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

**4650 Cushing Parkway, Fremont, California**

(Address of principal executive offices)

**94538**

(Zip Code)

Registrant's telephone number, including area code: **(510) 572-0200**

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, Par Value \$0.001 Per Share	LRCX	The Nasdaq Stock Market (Nasdaq Global Select Market)

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

**None**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the Registrant's Common Stock, \$0.001 par value, held by non-affiliates of the Registrant, as of December 27, 2020, the last business day of the most recently completed second fiscal quarter, was \$53,314,078,151. Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock has been excluded from this computation based on the assumption that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination of such status for other purposes.

As of August 12, 2021, the Registrant had 141,953,681 outstanding shares of Common Stock.

**Documents Incorporated by Reference**

Parts of the Registrant's Proxy Statement for the Annual Meeting of Stockholders expected to be held on or about November 8, 2021, are incorporated by reference into Part III of this Form 10-K. Except as expressly incorporated by reference herein, the Registrant's proxy statement shall not be deemed to be part of this report.

**LAM RESEARCH CORPORATION**  
**2021 ANNUAL REPORT ON FORM 10-K**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>Part I.</b>	
Item 1. Business .....	1
Item 1A. Risk Factors .....	10
Item 1B. Unresolved Staff Comments .....	22
Item 2. Properties .....	22
Item 3. Legal Proceedings .....	22
Item 4. Mine Safety Disclosures .....	22
<b>Part II.</b>	
Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities .....	23
Item 6. [Reserved] .....	25
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations .....	25
Item 7A. Quantitative and Qualitative Disclosures About Market Risk .....	35
Item 8. Financial Statements and Supplementary Data .....	39
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure .....	77
Item 9A. Controls and Procedures .....	77
Item 9B. Other Information .....	77
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection .....	77
<b>Part III.</b>	
Item 10. Directors, Executive Officers and Corporate Governance .....	78
Item 11. Executive Compensation .....	78
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .....	78
Item 13. Certain Relationships and Related Transactions, and Director Independence .....	78
Item 14. Principal Accountant Fees and Services .....	78
<b>Part IV.</b>	
Item 15. Exhibits, Financial Statement Schedules .....	79
Item 16. Form 10-K Summary .....	79
Exhibit Index .....	80
Signatures .....	83

## PART I

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

*With the exception of historical facts, the statements contained in this discussion are forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Certain, but not all, of the forward-looking statements in this report are specifically identified as forward-looking, by use of phrases and words such as "believe," "estimated," "anticipate," "expect," "probable," "intend," "plan," "aim," "may," "should," "could," "would," "will," "continue," and other future-oriented terms. The identification of certain statements as "forward-looking" does not mean that other statements not specifically identified are not forward-looking. Forward-looking statements include but are not limited to statements that relate to: trends and opportunities in the global economic environment and the semiconductor industry; the anticipated levels of, and rates of change in, margins, market share, served addressable market, capital expenditures, research and development expenditures, international sales, revenue (actual and/or deferred), operating expenses and earnings generally; management's plans and objectives for our current and future operations and business focus; volatility in our quarterly results; customer and end user requirements and our ability to satisfy those requirements; customer capital spending and their demand for our products and services, and the reliability of indicators of change in customer spending and demand; the effect of variability in our customers' business plans or demand for our equipment and services; changes in demand for our products and in our market share resulting from, among other things, any changes in our customers' proportion of capital expenditure (with respect to certain technology inflections); hedging transactions; debt or financing arrangements; our competition, and our ability to defend our market share and to gain new market share; our ability to obtain and qualify alternative sources of supply; changes in state, federal and international tax laws, our estimated annual tax rate and the factors that affect our tax rates; anticipated growth or decline in the industry and the total market for wafer fabrication equipment, our growth relative thereto and the resulting impact on us from such growth or decline; the success of joint development and collaboration relationships with customers, suppliers, or others; outsourced activities; the role of component suppliers in our business; our leadership and competency, and our ability to facilitate innovation; our ability to continue to, including the underlying factors that, create sustainable differentiation; the resources invested to comply with evolving standards and the impact of such efforts; legal and regulatory compliance; the estimates we make, and the accruals we record, in order to implement our critical accounting policies (including but not limited to the adequacy of prior tax payments, future tax benefits or liabilities, and the adequacy of our accruals relating to them); our investment portfolio; our access to capital markets; uses of, payments of, and impact of interest rate fluctuations on, our debt; our intention to pay quarterly dividends and the amounts thereof, if any; our ability and intention to repurchase our shares; credit risks; controls and procedures; recognition or amortization of expenses; our ability to manage and grow our cash position; our strategic relevance with our customers; our ability to scale our operations to respond to changes in our business; the value of our patents; the materiality of potential losses arising from legal proceedings; the probability of making payments under our guarantees; the impact of the COVID-19 pandemic, and the sufficiency of our financial resources or liquidity to support future business activities (including but not limited to operations, investments, debt service requirements, dividends, and capital expenditures). Such statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value, and effect, including without limitation those discussed below under the heading "Risk Factors" within Item 1A and elsewhere in this report and other documents we file from time to time with the Securities and Exchange Commission ("SEC"), such as our quarterly reports on Form 10-Q and our current reports on Form 8-K. Such risks, uncertainties, and changes in condition, significance, value, and effect could cause our actual results to differ materially from those expressed in this report and in ways not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on information currently and reasonably known to us. We do not undertake any obligation to release the results of any revisions to these forward-looking statements, which may be made to reflect events or circumstances that occur after the date of this report or to reflect the occurrence or effect of anticipated or unanticipated events.*

#### Item 1. Business

Incorporated in 1980, Lam Research Corporation ("Lam Research," "Lam," "we," "our," "us," or the "Company") is a Delaware corporation, headquartered in Fremont, California. We maintain a network of facilities throughout Asia, Europe, and the United States in order to meet the needs of our dynamic customer base.

Additional information about Lam Research is available on our website at [www.lamresearch.com](http://www.lamresearch.com). The content on any website referred to in this Form 10-K is not a part of or incorporated by reference in this Form 10-K unless expressly noted.

Our Annual Report on Form 10-K, Quarterly Reports on Forms 10-Q, Current Reports on Forms 8-K, Proxy Statements and all other filings we make with the SEC are available on our website, free of charge, as soon as reasonably practical after we file them with or furnish them to the SEC and are also available online at the SEC's website at [www.sec.gov](http://www.sec.gov).

The Lam Research logo, Lam Research, and all product and service names used in this report are either registered trademarks or trademarks of Lam Research Corporation or its subsidiaries in the United States and/or other countries. All other marks mentioned herein are the property of their respective holders.

We are a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. We have built a strong global presence with core competencies in areas like nanoscale applications enablement, chemistry, plasma and fluidics, advanced systems engineering, and a broad range of operational disciplines. Our products and services are designed to help our customers build smaller and better performing devices that are used in a variety of electronic products, including mobile phones, personal computers, servers, wearables, automotive vehicles, and data storage devices.

Our customer base includes leading semiconductor memory, foundry, and integrated device manufacturers (“IDMs”) that make products such as non-volatile memory (“NVM”), dynamic random-access memory (“DRAM”), and logic devices. Their continued success is part of our commitment to driving semiconductor breakthroughs that define the next generation. Our core technical competency is integrating hardware, process, materials, software, and process control enabling results on the wafer.

Semiconductor manufacturing, our customers’ business, involves the complete fabrication of multiple dies or integrated circuits (“ICs”) on a wafer. This involves the repetition of a set of core processes and can require hundreds of individual steps. Fabricating these devices requires highly sophisticated process technologies to integrate an increasing array of new materials with precise control at the atomic scale. Along with meeting technical requirements, wafer processing equipment must deliver high productivity and be cost-effective.

Demand from cloud computing (the “Cloud”), the Internet of Things (“IoT”), and other markets is driving the need for increasingly powerful and cost-efficient semiconductors. At the same time, there are growing technical challenges with traditional two-dimensional scaling. These trends are driving significant inflections in semiconductor manufacturing, such as the increasing importance of vertical scaling strategies like three-dimensional (“3D”) architectures as well as multiple patterning to enable shrinks.

We believe we are in a strong position with our leadership and competency in deposition, etch, and clean to facilitate some of the most significant innovations in semiconductor device manufacturing. Several factors create opportunity for sustainable differentiation for us: (i) our focus on research and development, with several on-going programs relating to sustaining engineering, product and process development, and concept and feasibility; (ii) our ability to effectively leverage cycles of learning from our broad installed base; (iii) our collaborative focus with semi-ecosystem partners; (iv) our ability to identify and invest in the breadth of our product portfolio to meet technology inflections; and (v) our focus on delivering our multi-product solutions with a goal to enhance the value of Lam’s solutions to our customers.

We also address processes for back-end wafer-level packaging (“WLP”), which is an alternative to traditional wire bonding and can offer a smaller form factor, increased interconnect speed and bandwidth, and lower power consumption, among other benefits. In addition, our products are well-suited for related markets that rely on semiconductor processes and require production-proven manufacturing capability, such as complementary metal-oxide-semiconductor image sensors (“CIS”) and micro-electromechanical systems (“MEMS”).

Our Customer Support Business Group (“CSBG”) provides products and services to maximize installed equipment performance, predictability, and operational efficiency. We offer a broad range of services to deliver value throughout the lifecycle of our equipment, including customer service, spares, upgrades, and new and refurbished non-leading edge products in our deposition, etch, and clean markets. Many of the technical advances that we introduce in our newest products are also available as upgrades, which provide customers with a cost-effective strategy for extending the performance and capabilities of their existing wafer fabrication lines. Service offerings include addressing productivity needs for our customers including, but not limited to, system uptime or availability optimization, throughput improvements, and defect reduction. Additionally, within CSBG, our Reliant product line offers new and refurbished non-leading edge products in deposition, etch and clean markets for those applications that do not require the most advanced wafer processing capability.

## Products

Market	Process/Application	Technology	Products
Deposition	Metal Films	Electrochemical Deposition ("ECD") (Copper & Other)	SABRE® family
		Chemical Vapor Deposition ("CVD") Atomic Layer Deposition ("ALD") (Tungsten)	ALTUS® family
	Dielectric Films	Plasma-enhanced CVD ("PECVD") ALD Gapfill High-Density Plasma CVD ("HDP-CVD")	VECTOR® family Striker® family SPEED® family
	Film Treatment	Ultraviolet Thermal Processing ("ULTP")	SOLA® family
Etch	Conductor Etch	Reactive Ion Etch	Kiyo® family, Versys® Metal family
	Dielectric Etch	Reactive Ion Etch	Flex® family
	Through-silicon Via ("TSV") Etch	Deep Reactive Ion Etch	Syndion® family
Clean	Wafer Cleaning	Wet Clean	EOS®, DV-Prime®, Da Vinci®, SP Series
	Bevel Cleaning	Dry Plasma Clean	Coronus® family

### Deposition Processes and Product Families

Deposition processes create layers of dielectric (insulating) and metal (conducting) materials used to build a semiconductor device. Depending on the type of material and structure being made, different techniques are employed. Electrochemical deposition creates the copper wiring (interconnect) that links devices in an integrated circuit ("IC" or "chip"). Plating of copper and other metals is also used for TSV and WLP applications. Tiny tungsten connectors and thin barriers are made with the precision of chemical vapor deposition and atomic layer deposition, which adds only a few layers of atoms at a time. Plasma-enhanced CVD, high-density plasma CVD, and ALD are used to form the critical insulating layers that isolate and protect all of these electrical structures. Lastly, post-deposition treatments such as ultraviolet thermal processing are used to improve dielectric film properties.

#### ALTUS® Product Family

Tungsten deposition is used to form conductive features such as contacts, vias, and wordlines on a chip. These features are small, often narrow, and use only a small amount of metal, so minimizing resistance and achieving complete fill can be difficult. At these nanoscale dimensions, even slight imperfections can impact device performance or cause a chip to fail. Our ALTUS® systems combine CVD and ALD technologies to deposit the highly conformal films needed for advanced tungsten metallization applications. The Multi-Station Sequential Deposition architecture enables nucleation layer formation and bulk CVD/ALD fill to be performed in the same chamber ("in situ"). Our ALD technologies are used in the deposition of barrier films to achieve high step coverage with reduced thickness at lower temperatures relative to a conventional process.

#### SABRE® Product Family

Copper deposition lays down the electrical wiring for most semiconductor devices. Even the smallest defect – say, a microscopic pinhole or dust particle – in these conductive structures can impact device performance, from loss of speed to complete failure. The SABRE® ECD product family, which helped pioneer the copper interconnect transition, offers the precision needed for copper damascene manufacturing in logic and memory. System capabilities include cobalt deposition for logic applications and copper deposition directly on various liner materials, which is important for next-generation metallization schemes. For advanced WLP applications, such as forming conductive bumps and redistribution layers, and for filling TSVs, the SABRE® 3D family combines Lam's SABRE Electrofill® technology with additional innovation to deliver the high-quality films needed at high productivity. The modular architecture can be configured with multiple plating and pre/post-treatment cells, providing flexibility to address a variety of packaging applications.

#### SOLA® Product Family

Dielectric materials designed to meet the insulation requirements of logic chips often have attributes that make them unusually difficult to use. These films are easily damaged and vulnerable to losing some of their insulating capability, which can lead to poor device performance. To enable these applications, some films can be stabilized – and others enhanced to improve device performance –

using specialized post-deposition film treatments available with Lam's SOLA® UVTP product family. SOLA® products offer process flexibility through independent control of temperature, wavelength, and intensity at each station of the wafer path, enabled by Multi-Station Sequential Processing architecture.

#### *SPEED® Product Family*

Dielectric gapfill processes deposit critical insulation layers between conductive and/or active areas by filling openings of various aspect ratios between conducting lines and between devices. With advanced devices, the structures being filled can be very tall and narrow. As a result, high-quality dielectric films are especially important due to the ever-increasing possibility of cross-talk and device failure. Our SPEED® HDP-CVD products provide a multiple dielectric film solution for high-quality gapfill with industry-leading throughput and reliability. SPEED® products have excellent particle performance, and their design allows large batch sizes between cleans and faster cleans.

#### *Striker® Product Family*

The latest memory, logic, and imaging devices require extremely thin, highly conformal dielectric films for continued device performance improvement and scaling. For example, ALD films are critical for spacer-based multiple patterning schemes where the spacers help define critical dimensions, as well as for insulating liners and gapfill in high aspect ratio features, which have little tolerance for voids and even the smallest defect. The Striker® single-wafer ALD products provide dielectric film solutions for these challenging requirements through application-specific material, process and hardware options that deliver film technology and defect performance.

#### *VECTOR® Product Family*

Dielectric film deposition processes are used to form some of the most difficult-to-produce insulating layers in a semiconductor device, including those used in the latest transistors and 3D structures. In some applications, these films require dielectric films to be exceptionally smooth and defect free since slight imperfections are multiplied greatly in subsequent layers. Our VECTOR® PECVD products are designed to provide the performance and flexibility needed to create these enabling structures within a wide range of challenging device applications. As a result of its design, VECTOR® produces superior thin film quality, along with exceptional within-wafer and wafer-to-wafer uniformity.

### **Etch Processes and Product Families**

Etch processes help create chip features by selectively removing dielectric (insulating), metal, silicon and poly silicon (conducting/semitconducting) materials that have been added during deposition. These processes involve fabricating increasingly small, complex, and narrow features using many types of materials. The primary technology, reactive ion etch, bombards the wafer surface with ions (charged particles) to remove material. For the smallest features, atomic-layer etching ("ALE") removes a few atomic layers of material at a time. While conductor etch processes precisely shape critical electrical components like transistors, dielectric etch forms the insulating structures that protect conducting parts.

#### *Flex® Product Family*

Dielectric etch carves patterns in insulating materials to create barriers between the electrically conductive parts of a semiconductor device. For advanced devices, these structures can be extremely tall and thin and involve complex, sensitive materials. Slight deviations from the target feature profile – even at the atomic level – can negatively affect electrical properties of the device. To precisely create these challenging structures, our Flex® product family offers differentiated technologies and application-focused capabilities for critical dielectric etch applications. Uniformity, repeatability, and tunability are enabled by a unique multi-frequency, small-volume, confined plasma design. Flex® offers in situ multi-step etch and continuous plasma capability that delivers high productivity with low defectivity.

#### *Kiyo® Product Family*

Conductor etch helps shape the electrically active materials used in the parts of a semiconductor device. Even a slight variation in these miniature structures can create an electrical defect that impacts device performance. In fact, these structures are so tiny that etch processes are pushing the boundaries of the basic laws of physics and chemistry. Our Kiyo® product family delivers the high-performance capabilities needed to precisely and consistently form these conductive features with high productivity. Proprietary Hydra technology in Kiyo® products improves critical dimension ("CD") uniformity by correcting for incoming pattern variability, and atomic-scale variability control with production-worthy throughput is achieved with plasma-enhanced ALE capability.

#### *Syndion® Product Family*

Plasma etch processes used to remove single crystal silicon and other materials deep into the wafer are collectively referred to as deep silicon etch. These may be deep trenches for CMOS image sensors, trenches for power and other devices, TSVs, and other high aspect ratio features. These are created by etching through multiple materials sequentially, where each new material involves a

change in the etch process. The Syndion® etch product family is optimized for deep silicon etch, providing the fast process switching with depth and cross-wafer uniformity control required to achieve precision etch results. The systems support both conventional single-step etch and rapidly alternating process, which minimizes damage and delivers precise depth uniformity.

#### *Versys® Metal Product Family*

Metal etch processes play a key role in connecting the individual components that form an IC, such as forming wires and electrical connections. These processes can also be used to drill through metal hardmasks that pattern features too small for conventional masks, allowing continued shrinking of feature dimensions. To enable these critical etch steps, the Versys® Metal product family provides high-productivity capability on a flexible platform. Superior CD and profile uniformity are enabled by a symmetrical chamber design with independent process tuning features.

#### Clean Processes and Product Families

Clean techniques are used between manufacturing steps to clear away particles, contaminants, residues and other unwanted material that could later lead to defects and to prepare the wafer surface for subsequent processing. Wet processing technologies can be used for wafer cleaning and etch applications. Plasma bevel cleaning is used to enhance die yield by removing unwanted materials from the wafer's edge that could impact the device area.

#### *Coronus® Product Family*

Bevel cleaning removes unwanted masks, residues, and films from the edge of a wafer between manufacturing steps. If not cleaned, these materials become defect sources. For instance, they can flake off and re-deposit on the device area during subsequent processes. Even a single particle that lands on a critical part of a device can ruin the entire chip. By inserting bevel clean processes at strategic points, these potential defect sources can be eliminated and more functional chips produced. By combining the precise control and flexibility of plasma with technology that protects the active die area, the Coronus® bevel clean family cleans the wafer's edge to enhance die yield. The systems provide active die area protection by using plasma processing with proprietary confinement technology. Applications include post-etch, pre- and post-deposition, pre-lithography, and metal film removal to prevent arcing during plasma etch or deposition steps.

#### *DV-Prime®, Da Vinci®, EOS®, and SP Series Product Families*

Wafer cleaning is performed repeatedly during semiconductor device manufacturing and is a critical process that affects product yield and reliability. Unwanted microscopic materials - some no bigger than the tiny structures themselves - need to be cleaned effectively. At the same time, these processes must selectively remove residues that are chemically similar to the device films. For advanced WLP, the wet clean steps used between processes that form the package and external wiring have surprisingly complex requirements. These processes are called on to completely remove specific materials and leave other fragile structures undisturbed. In IoT products that include power devices, MEMS and image sensors, there is a unique requirement for wafer backside wet etch to uniformly thin the silicon wafer while protecting the device side of the wafer.

Based on our pioneering single-wafer spin technology, the DV-Prime® and Da Vinci® products provide the process flexibility needed with high productivity to address a wide range of wafer cleaning steps throughout the manufacturing process flow. As the latest of Lam's wet clean products, EOS® delivers exceptionally low on-wafer defectivity and high throughput to address progressively demanding wafer cleaning applications, including emerging 3D structures. With a broad range of process capability, our SP Series products deliver cost-efficient, production-proven wet clean and silicon wet etch solutions for challenging WLP and IoT applications.

#### *Fiscal Periods Presented*

All references to fiscal years apply to our fiscal years, which ended June 27, 2021, June 28, 2020, and June 30, 2019.

#### *Research and Development*

The market for semiconductor capital equipment is characterized by rapid technological change and product innovation. Our ability to achieve and maintain our competitive advantage depends in part on our continued and timely development of new products and enhancements to existing products. Accordingly, we devote a significant portion of our personnel and financial resources to research and development ("R&D") programs and seek to maintain close and responsive relationships with our customers and suppliers.

We believe current challenges for customers at various points in the semiconductor manufacturing process present opportunities for us. We expect to continue to make substantial investments in R&D to meet our customers' product needs, support our growth strategy and enhance our competitive position.

## ***Marketing, Sales, and Service***

Our marketing, sales, and service efforts are focused on building long-term relationships with our customers and targeting product and service solutions designed to meet their needs. These efforts are supported by a team of product marketing and sales professionals as well as equipment and process engineers who work closely with individual customers to develop solutions for their wafer processing needs. We maintain ongoing service relationships with our customers and have an extensive network of service engineers in place throughout the United States, China, Europe, India, Japan, Korea, Southeast Asia, and Taiwan. We believe that comprehensive support programs and close working relationships with customers are essential to maintaining high customer satisfaction and our competitiveness in the marketplace.

We provide standard warranties for our systems. The warranty provides that systems will be free from defects in material and workmanship and will conform to agreed-upon specifications. The warranty is limited to repair of the defect or replacement with new or like-new equivalent goods and is valid when the buyer provides prompt notification within the warranty period of the claimed defect or non-conformity and also makes the items available for inspection and repair. We also offer extended warranty packages to our customers to purchase as desired.

### **International Sales**

A significant portion of our sales and operations occur outside the United States ("U.S.") and, therefore, may be subject to certain risks, including but not limited to tariffs and other barriers; difficulties in staffing and managing non-U.S. operations; adverse tax consequences; foreign currency exchange rate fluctuations; changes in currency controls; compliance with U.S. and international laws and regulations, including U.S. export restrictions; and economic and political conditions. Any of these factors may have a material adverse effect on our business, financial position, and results of operations and cash flows. For geographical reporting, revenue is attributed to the geographic location in which the customers' facilities are located. Refer to Note 20 of our Consolidated Financial Statements, included in Part II, Item 8 of this 2021 Form 10-K, for the attribution of revenue by geographic region.

### **Long-lived Assets**

Refer to Note 20 of our Consolidated Financial Statements, included in Part II, Item 8 of this 2021 Form 10-K, for information concerning the geographic locations of long-lived assets.

### ***Customers***

Our customers include all of the world's leading semiconductor manufacturers. Customers continue to establish joint ventures, alliances, and licensing arrangements which have the potential to positively or negatively impact our competitive position and market opportunities. Refer to Note 9 of our Consolidated Financial Statements, included in Part II, Item 8 of this report, for information concerning customer concentrations. Our most significant customers during the fiscal years ending June 27, 2021, June 28, 2020, and June 30, 2019 included Intel Corporation; Kioxia Corporation; Micron Technology, Inc.; Samsung Electronics Company, Ltd.; SK hynix Inc.; Taiwan Semiconductor Manufacturing Company; and Yangtze Memory Technologies Co., Ltd.

A material reduction in orders from our customers could adversely affect our results of operations and projected financial condition. Our business depends upon the expenditures of semiconductor manufacturers. Semiconductor manufacturers' businesses, in turn, depend on many factors, including their economic capability, the current and anticipated market demand for ICs, and the availability of equipment capacity to support that demand.

### ***Manufacturing***

Our manufacturing operations mainly consist of assembling and testing components, sub-assemblies, and modules that are then integrated into finished systems prior to shipment to or at the location of our customers. The assembly and testing of our products is conducted predominately in cleanroom environments.

We have agreements with third parties to outsource certain aspects of our manufacturing, production warehousing, and logistics functions. These outsourcing contracts provide us more flexibility to scale our operations up or down in a timely and cost-effective manner, enabling us to respond quickly to any changes in our business. We believe that we have selected reputable providers and have secured their performance on terms documented in written contracts. However, it is possible that one or more of these providers could fail to perform as we expect, and such failure could have an adverse impact on our business and have a negative effect on our operating results and financial condition. Overall, we believe we have effective mechanisms to manage risks associated with our outsourcing relationships. Refer to Note 17 of our Consolidated Financial Statements, included in Part II, Item 8 of this report, for further information concerning our outsourcing commitments, reported as a component of purchase obligations.

Certain components and sub-assemblies that we include in our products may only be obtained from a single supplier. We believe that, in many cases, we could obtain and qualify alternative sources to supply these products. Nevertheless, any prolonged inability to obtain these components could have an adverse effect on our operating results and could unfavorably impact our customer relationships.

## **Compliance with Government Regulations**

As a public company with global operations, we are subject to a variety of governmental regulations across multiple jurisdictions, including those related to export controls, financial and other disclosures, corporate governance, anti-trust, intellectual property, privacy, anti-bribery, anti-corruption, anti-boycott, tax, labor, health and safety, conflict minerals, human trafficking, the management of hazardous materials, and carbon emissions, among others. Each of these regulations imposes costs on our business and has the potential to divert our management's time and attention from revenue-generating and other profit maximizing activities to those associated with compliance. Efforts to comply with new and changing regulations have resulted in, and are likely to continue to result in, decreased net income and increased capital expenditures. If we are alleged or found by a court or regulatory agency not to be in compliance with regulations, we may be subject to fines, restrictions on our actions, reputational damage, and harm to our competitive position, and our business, financial condition, and/or results of operations could be adversely affected. For additional details, please refer to "Legal, Regulatory and Tax Risks – We Are Exposed to Various Risks from Our Regulatory Environment" in Item 1A: Risk Factors.

Regulations that impact trade, including tariffs, export controls, taxes, trade barriers, sanctions, the termination or modification of trade agreements, trade zones, and other duty mitigation initiatives, have the potential to increase our manufacturing costs, decrease margins, reduce the competitiveness of our products, or inhibit our ability to sell products or purchase necessary equipment and supplies, which could have a material adverse effect on our business, results of operations, or financial conditions. For additional details regarding the impacts of compliance with trade laws and regulations, please refer to "Business and Operational Risks – Our Future Success Depends Heavily on International Sales and the Management of Global Operations" and "Legal, Regulatory and Tax Risks – Our Sales to Customers in China, a Region of Growing Significance to Us, Could be Materially and Adversely Affected by Export License Requirements and Other Regulatory Changes, or Other Governmental Actions in the Course of the Trade Relationship Between the U.S. and China" in Item 1A: Risk Factors.

We are subject to income, transaction, and other taxes in the United States and various foreign jurisdictions that impact our tax rate and profitability. For additional details regarding the impacts of compliance with tax laws and regulations, please refer to "Legal, Regulatory and Tax Risks – Our Financial Results May Be Adversely Impacted by Higher than Expected Tax Rates or Exposure to Additional Tax Liabilities" in Item 1A: Risk Factors.

An important element of our management strategy is to review acquisition prospects that would complement our existing products, augment our market coverage and distribution ability, enhance our technological capabilities, or accomplish other strategic objectives. However, for regulatory reasons, we may not be successful in our attempts to acquire or dispose of businesses, products, or technologies. For additional details regarding the impacts of regulations on acquisitions or dispositions we may attempt, please refer to "Business and Operational Risks – If We Choose to Acquire or Dispose of Businesses, Product Lines, and Technologies, We May Encounter Unforeseen Costs and Difficulties That Could Impair Our Financial Performance" in Item 1A: Risk Factors.

We are subject to a variety of domestic and international governmental regulations related to the handling, discharge, and disposal of toxic, volatile, or otherwise hazardous chemicals. For additional details regarding the impacts of compliance with environmental laws and regulations, please refer to "Legal, Regulatory and Tax Risks – A Failure to Comply with Environmental Regulations May Adversely Affect Our Operating Results" in Item 1A: Risk Factors.

## **Competition**

The semiconductor capital equipment industry is characterized by rapid change and is highly competitive throughout the world. To compete effectively, we invest significant financial resources targeted to strengthen and enhance our product and services portfolio and to maintain customer service and support locations globally. Semiconductor manufacturers evaluate capital equipment suppliers in many areas, including but not limited to process performance, productivity, defect control, customer support, and overall cost of ownership, which can be affected by many factors such as equipment design, reliability, software advancements, and similar factors. Our ability to succeed in the marketplace depends upon our ability to maintain existing products and introduce product enhancements and new products that meet customer requirements on a timely basis. In addition, semiconductor manufacturers must make a substantial investment to qualify and integrate new capital equipment into semiconductor production lines. As a result, once a semiconductor manufacturer has selected a particular supplier's equipment and qualified it for production, the manufacturer generally maintains that selection for that specific production application and technology node as long as the supplier's products demonstrate performance to specification in the installed base. Accordingly, we may experience difficulty in selling to a given customer if that customer has qualified a competitor's equipment. We must also continue to meet the expectations of our installed base of customers through the delivery of high-quality and cost-efficient spare parts in the presence of competition from third-party spare parts providers.

We face significant competition with all of our products and services. Our primary competitor in the dielectric and metals deposition market is Applied Materials, Inc. For ALD and PECVD, we also compete against ASM International and Wonik IPS. In the etch market, our primary competitors are Applied Materials, Inc.; Hitachi, Ltd.; and Tokyo Electron, Ltd., and our primary competitors in the wet clean market are Screen Holding Co., Ltd.; Semes Co., Ltd.; and Tokyo Electron, Ltd.

We face competition from a number of established and emerging companies in the industry. We expect our competitors to continue to improve the design and performance of their current products and processes, to introduce new products and processes with enhanced

price/performance characteristics, and to provide more comprehensive offerings of products. If our competitors make acquisitions or enter into strategic relationships with leading semiconductor manufacturers, or other entities, covering products similar to those we sell, our ability to sell our products to those customers could be adversely affected. Strategic investments to encourage local semiconductor manufacturing and supply chain in China could increase competition from domestic equipment manufacturers in China. There can be no assurance that we will continue to compete successfully in the future.

### **Patents and Licenses**

Our policy is to seek patents on inventions relating to new or enhanced products and processes developed as part of our ongoing research, engineering, manufacturing, and support activities. We currently hold a number of U.S. and foreign patents and applications covering various aspects of our products and processes. Our patents, which cover material aspects of our past and present core products, have current durations ranging from approximately one to twenty years. We believe that, although the patents we own and may obtain in the future will be of value, they alone will not determine our success. Our success depends principally upon our research and development, engineering, marketing, support, and delivery skills. However, in the absence of patent protection, we may be vulnerable to competitors who attempt to imitate our products, manufacturing techniques, and processes and may be more limited in our ability to exclude competitors than would otherwise be the case. In addition, other companies and inventors may receive patents that contain claims applicable to our products and processes. The sale of products covered by patents of others could require licenses that may not be available on terms acceptable to us, or at all. For further discussion of legal matters, see Item 3, "Legal Proceedings," of this report.

### **Human Capital**

We endeavor to be a great place to work globally by investing in a multi-faceted strategy that is rooted in building an inclusive and diverse workplace. To support our employees, we tailor our programs to meet the unique cultural needs and priorities within different regions around the world.

As of August 12, 2021, we had approximately 14,100 regular full-time employees, of which over 29% were engaged in research and development. Approximately 56% of our regular full-time employees are located in the United States, 38% in Asia, and 6% in Europe.

### **Inclusion and Diversity**

To achieve their full potential, we believe it is important for every employee to feel valued, included, and empowered. We embrace inclusion and diversity ("I&D") and proactively create opportunities to attract, retain, develop, and reward our employees. I&D is one of our strategic focus areas for the company. The three core pillars of our strategy include fostering inclusion, increasing diversity, and sharing our progress. In 2020, we added an executive leader of I&D who is responsible for driving our I&D strategy, building partnerships, and aligning with best practices.

### **Employment, Recruitment and Development**

Our talented people are what makes our success possible. Many of our recruitment efforts are carried out through partnerships with key universities. In fact, many of our senior executives began their careers with us right out of college, demonstrating that programs that recruit university students have the potential to contribute to our leadership pipeline. To tap into the best and brightest students, we prioritize core initiatives including an internship program, new college graduate rotation program, campus events, and thesis awards and scholarships. We accelerate employee development, broaden career opportunities, and expand professional networks for employees through our mentorship, coaching, and rotation programs. Additionally, we offer leadership development programs which are designed to scale leadership across our business by guiding managers to motivate, inspire, and lead employees through change.

### **Employee Engagement**

Employee engagement (i.e. satisfaction) and voice are critical to Lam's culture. We conduct a global survey at a regular cadence to gather input from employees on culture, I&D, career opportunity, and manager effectiveness. We also solicit employee feedback through in-person and online employee forums, engagement sessions, all-employee meetings, conversations with managers, and our Human Resource Support and Employee Relations programs.

### **Total Rewards**

Our Total Rewards program incorporates a comprehensive compensation and benefits package aimed at supporting employees' financial, physical, and mental well-being. We conduct an annual review of salaries and benefits packages using third-party benchmarking surveys to ensure that our offerings are aligned with the marketplace and attractive to top talent. We offer our employees a competitive 401(k) benefit, an employee stock purchase plan, and annual cash bonuses. Stock awards are offered to executives and select employees.

We recognize the importance of time away from work for personal reasons, and we offer annual paid holidays and time off. Additionally, several financial benefits were added to support our employees through the pandemic, including, but not limited to, pay continuity for those affected by closures, expanded medical and family care leave options for employees with COVID-19 related absences, and funding for home office provisions.

#### Employee Health and Safety, Pandemic Response

Prioritizing the health, safety, and well-being of our employees is critical to our ongoing success. We invest in education, awareness, monitoring, and prevention programs to help recognize and control safety hazards. Our goal is to apply our environmental health and safety ("EHS") policies, programs, and response plans applies to anywhere we operate and extends to anyone who works on our sites with the intent to provide a safe environment during both routine and extraordinary circumstances. People managers in field support, manufacturing, R&D, warehouse, and logistics operations undergo formal safety leadership training biannually to enhance their skills in safety management and communication. We screen contractors' safety performance and require contractor compliance with specified safety standards.

We monitor our safety performance at the enterprise, regional, and site levels. By using our global incident tracking system, our corporate EHS team can assess and monitor safety trends to report to business units and executive leadership as a part of quarterly reviews. We maintain multi-site certifications for ISO 45001, the globally recognized standard for occupational health and safety management systems and achieved validation for two new sites.

We have taken a holistic approach in response to the COVID-19 pandemic, safeguarding our employees and caring for our communities by implementing strict procedures consistent with medical guidelines and best practices for the health and safety of on-site workers; enabling staff to work remotely; and providing enhanced employee benefits to support physical and mental health.

#### *Information about our Executive Officers*

As of August 12, 2021, the executive officers of Lam Research were as follows:

Name	Age	Title
Timothy M. Archer	54	President and Chief Executive Officer
Douglas R. Bettinger	54	Executive Vice President, Chief Financial Officer, and Chief Accounting Officer
Richard A. Gottscho	69	Executive Vice President, Chief Technology Officer
Patrick J. Lord	55	Executive Vice President, CSBG and Global Operations
Ava M. Hahn	48	Senior Vice President, Chief Legal Officer and Secretary
Scott G. Meikle	59	Senior Vice President, Global Customer Operations
Vahid Vahedi	55	Senior Vice President and General Manager, Etch Business Unit
Seshasayee (Sesha) Varadarajan	46	Senior Vice President and General Manager, Deposition Business Unit

Timothy M. Archer has been our president and chief executive officer since December 2018. Prior to this, he served as our president and chief operating officer, from January 2018 to November 2018. Mr. Archer joined us in June 2012 as our executive vice president, chief operating officer. Prior to joining us, he spent 18 years at Novellus Systems, Inc., ("Novellus") in various technology development and business leadership roles, including most recently as chief operating officer from January 2011 to June 2012; executive vice president of Worldwide Sales, Marketing, and Customer Satisfaction from September 2009 to January 2011; and executive vice president of the PECVD and Electrofill Business Units from November 2008 to September 2009. His tenure at Novellus also included assignments as senior director of technology for Novellus Systems Japan from 1999 to 2001 and senior director of technology for the Electrofill Business Unit from April 2001 to April 2002. He started his career in 1989 at Tektronix, where he was responsible for process development for high-speed bipolar ICs. Mr. Archer serves as chairman of the board for the National GEM Consortium, a nonprofit organization that is dedicated to increasing the participation of underrepresented groups at the master's and doctoral levels in engineering and science. Mr. Archer completed the Program for Management Development at the Harvard Graduate School of Business and earned a B.S. degree in applied physics from the California Institute of Technology.

Douglas R. Bettinger is our executive vice president, chief financial officer, and chief accounting officer with responsibility for Finance, Tax, Treasury, Information Technology, and Investor Relations. Prior to joining the Company in 2013, Mr. Bettinger served as senior vice president and chief financial officer of Avago Technologies from 2008 to 2013. From 2007 to 2008, he served as vice president of Finance and corporate controller at Xilinx, Inc., and from 2004 to 2007, he was chief financial officer at 24/7 Customer, a privately held company. Mr. Bettinger worked at Intel Corporation from 1993 to 2004, where he held several senior-level finance positions, including corporate planning and reporting controller and Malaysia site operations controller. Mr. Bettinger earned an M.B.A. degree in finance from the University of Michigan and a B.S. degree in economics from the University of Wisconsin in Madison.

Richard A. Gottscho is our executive vice president, chief technology officer, a position he has held since May 2017. Dr. Gottscho previously served as executive vice president, Global Products Group beginning in August 2010; and group vice president and general manager, Etch Businesses beginning in March 2007. He joined us in January 1996 and has held various director and vice president roles spanning across deposition, etch, and clean products. Prior to joining us, he was a member of Bell Laboratories for 15 years, where he headed research departments in electronics materials, electronics packaging, and flat panel displays. In 2016, Dr. Gottscho was elected to the U.S. National Academy of Engineering. He is the recipient of many awards, including the American Vacuum Society's Peter Mark Memorial Award, the Plasma Science and Technology Division Prize, the Dry Process Symposium Nishizawa Award, and the Tegal Thinker Award. He is a fellow of the American Physical and American Vacuum Societies. He has authored numerous papers, patents, and lectures, and has served on editorial boards of peer-reviewed technical publications and program committees for major conferences in plasma science and engineering. He served as vice-chair of a National Research Council study on plasma science. Dr. Gottscho earned Ph.D. and B.S. degrees in physical chemistry from the Massachusetts Institute of Technology and Pennsylvania State University, respectively.

Patrick J. Lord is our executive vice president of CSBG and Global Operations, a position he has held since September 2020. Dr. Lord was senior vice president and general manager of CSBG from December 2016 to September 2020. Prior to that, Dr. Lord held the position of group vice president and deputy general manager of the Global Products Group from September 2013 to December 2016. He served as the head of the Direct Metals, GapFill, Surface Integrity Group, and Integrated Metals ("DGSI") Business Units between June 2012 and September 2013. Prior to our acquisition of Novellus in June 2012, Dr. Lord was senior vice president and general manager of the DGSI Business Units at Novellus. Additionally, Dr. Lord held the position of senior vice president of Business Development and Strategic Planning. He joined Novellus in 2001 and held a number of other positions, including senior vice president and general manager of the CMP Business Unit, senior director of Business Development, senior director of Strategic Marketing, and acting vice president of Corporate Marketing. Before joining Novellus, Dr. Lord spent six years at KLA-Tencor in various product marketing and management roles. He earned his Ph.D., M.S., and B.S. degrees in mechanical engineering from the Massachusetts Institute of Technology.

Ava M. Hahn is our senior vice president, chief legal officer. She joined us in January 2020 and is responsible for global legal matters. Prior to joining us, Ms. Hahn served as executive vice president, chief compliance officer, general counsel and secretary of CA Technologies, an enterprise software company, from February 2019 to November 2019 (until its acquisition by Broadcom Corp.), general counsel and secretary of Aruba Networks from April 2013 to June 2016 (until its acquisition by Hewlett Packard Enterprise), general counsel and secretary of ShoreTel, Inc. from 2007 to 2013, and general counsel and secretary of Genesis Microchip from 2002 to 2007. Ms. Hahn also served as general counsel of venture capital firms Kleiner Perkins and Felicis Ventures. She started her career at the law firm of Wilson Sonsini Goodrich & Rosati, where she practiced corporate and securities law. Ms. Hahn earned a J.D. from Columbia Law School and a B.A. in history from the University of California at Berkeley.

Scott G. Meikle is our senior vice president of Global Customer Operations, a position he has held since September 2017. Before joining us, he was an independent consultant for a year and director, special projects at Micron Technology, Inc. for seven months. Prior to that time, he spent over five and a half years at Inotera Memories, Inc., most recently as its president from August 2012 to December 2015. Dr. Meikle started his career in process R&D and advanced to various leadership roles in business operations across multiple geographies for Micron Technology, and has over 25 years of experience in the memory devices sector of the semiconductor industry. He earned his Ph.D. and M. Eng. degrees in engineering physics from Shizuoka University and McMaster University, respectively, and a B.S. degree in physics from the University of Calgary.

Vahid Vahedi is our senior vice president and general manager of the Etch Business Unit, a position he has held since February 2018. Prior to that time, he was group vice president of the Etch product group since March 2012. Previously, he served as vice president of Etch Business Product Management and Marketing, vice president of Dielectric Etch, vice president of Conductor and 3DIC Etch, and director of Conductor Etch Technology Development. He joined us in 1995. He earned his Ph.D., M.S., and B.S. degrees in electrical engineering and computer science from the University of California at Berkeley.

Sesha Varadarajan is our senior vice president and general manager of the Deposition Business Unit, a position he has held since February 2018. Prior to that time, he was group vice president of the Deposition product group since September 2013. Previously, he served as the head of the PECVD/Electrofill Business Unit between June 2012 and September 2013. Prior to our acquisition of Novellus in June 2012, Mr. Varadarajan was senior vice president and general manager of Novellus' PECVD and Electrofill Business Units. He joined Novellus in 1999 as a process engineer with the Electrofill Business Unit and held various roles in that business unit before being appointed director of technology in 2004. Between 2006 and 2008, he worked in the PECVD Business Unit, initially as director of technology, until being promoted to product general manager. In 2009, he returned to the Electrofill Business Unit as vice president and general manager. In mid-2011, he was promoted to senior vice president and general manager, where he was also responsible for the PECVD Business Unit. Mr. Varadarajan earned an M.S. degree in manufacturing engineering and material science from Boston University and a B.S. degree in mechanical engineering from the University of Mysore.

#### **Item 1A. Risk Factors**

In addition to the other information in this Annual Report on Form 10-K ("2021 Form 10-K"), the following risk factors should be carefully considered in evaluating us and our business because such factors may significantly impact our business, operating results,

and financial condition. Many of the following risk factors have been, and could be further, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result. As a result of these risk factors, as well as other risks discussed in our other SEC filings, our actual results could differ materially from those projected in any forward-looking statements. No priority or significance is intended by, nor should be attached to, the order in which the risk factors appear.

## INDUSTRY AND CUSTOMER RISKS

### *The Semiconductor Capital Equipment Industry Is Subject to Variability and Periods of Rapid Growth or Decline; We Therefore Face Risks Related to Our Strategic Resource Allocation Decisions*

The semiconductor capital equipment industry has historically been characterized by rapid changes in demand. The industry environment has moved toward being more characterized by variability across segments and customers, accentuated by consolidation within the industry. Variability in our customers' business plans may lead to changes in demand for our equipment and services, which could negatively impact our results. The variability in our customers' investments during any particular period is dependent on several factors, including but not limited to electronics demand, economic conditions (both general and in the semiconductor and electronics industries), industry supply and demand, prices for semiconductors, and our customers' ability to develop and manufacture increasingly complex and costly semiconductor devices. The changes in demand may require our management to adjust spending and other resources allocated to operating activities.

During periods of rapid growth or decline in demand for our products and services, we face significant challenges in maintaining adequate financial and business controls, management processes, information systems, and procedures for training, assimilating, and managing our workforce, and in appropriately sizing our supply chain infrastructure and facilities, work force, and other components of our business on a timely basis. If we do not adequately meet these challenges during periods of increasing or declining demand, our gross margins and earnings may be negatively impacted. For example, the COVID-19 outbreak has impacted and could further impact our ability to meet the demand for our products due to production, sourcing, logistics and other challenges resulting from quarantines, shelter in place or "stay at home" orders, facility closures, workforce challenges, and travel and logistics restrictions in connection with the outbreak.

We continuously reassess our strategic resource allocation choices in response to the changing business environment. If we do not adequately adapt to the changing business environment, we may lack the infrastructure and resources to scale up our business to meet customer expectations and compete successfully during a period of growth, or we may expand our capacity and resources too rapidly and/or beyond what is appropriate for the actual demand environment, resulting in excess fixed costs.

Especially during transitional periods, resource allocation decisions can have a significant impact on our future performance, particularly if we have not accurately anticipated industry changes. Our success will depend, to a significant extent, on the ability of our executive officers and other members of our senior management to identify and respond to these challenges effectively.

### *Future Declines in the Semiconductor Industry, and the Overall World Economic Conditions on Which It Is Significantly Dependent, Could Have a Material Adverse Impact on Our Results of Operations and Financial Condition*

Our business depends on the capital equipment expenditures of semiconductor manufacturers, which in turn depend on the current and anticipated market demand for integrated circuits. With the consolidation of customers within the industry, the semiconductor capital equipment market may experience rapid changes in demand driven both by changes in the market generally and the plans and requirements of particular customers. The economic, political, and business conditions occurring nationally, globally, or in any of our key sales regions, which are often unpredictable, have historically impacted customer demand for our products and normal commercial relationships with our customers, suppliers, and creditors. Additionally, in times of economic uncertainty, our customers' budgets for our products, or their ability to access credit to purchase them, could be adversely affected. This would limit their ability to purchase our products and services. As a result, changing economic, political or business conditions can cause material adverse changes to our results of operations and financial condition, including but not limited to:

- a decline in demand for our products or services;
- an increase in reserves on accounts receivable due to our customers' inability to pay us;
- an increase in reserves on inventory balances due to excess or obsolete inventory as a result of our inability to sell such inventory;
- valuation allowances on deferred tax assets;
- restructuring charges;
- asset impairments including the potential impairment of goodwill and other intangible assets;
- a decline in the value of our investments;

- exposure to claims from our suppliers for payment on inventory that is ordered in anticipation of customer purchases that do not come to fruition;
- a decline in the value of certain facilities we lease to less than our residual value guarantee with the lessor; and
- challenges maintaining reliable and uninterrupted sources of supply.

Fluctuating levels of investment by semiconductor manufacturers may materially affect our aggregate shipments, revenues, operating results, and earnings. Where appropriate, we will attempt to respond to these fluctuations with cost management programs aimed at aligning our expenditures with anticipated revenue streams, which sometimes result in restructuring charges. Even during periods of reduced revenues, we must continue to invest in R&D and maintain extensive ongoing worldwide customer service and support capabilities to remain competitive, which may temporarily harm our profitability and other financial results.

#### ***We Have a Limited Number of Key Customers***

Sales to a limited number of large customers constitute a significant portion of our overall revenue, shipments, cash flows, collections, and profitability. As a result, the actions of even one customer may subject us to variability in those areas that is difficult to predict. In addition, large customers may be able to negotiate requirements that result in decreased pricing, increased costs, and/or lower margins for us; compliance with specific environmental, social, and corporate governance standards; and limitations on our ability to share technology with others. Similarly, significant portions of our credit risk may, at any given time, be concentrated among a limited number of customers so that the failure of even one of these key customers to pay its obligations to us could significantly impact our financial results.

#### ***We Depend on Creating New Products and Processes and Enhancing Existing Products and Processes for Our Success; Consequently, We Are Subject to Risks Associated with Rapid Technological Change***

Rapid technological changes in semiconductor manufacturing processes subject us to increased pressure to develop technological advances that enable those processes. We believe that our future success depends in part upon our ability to develop and offer new products with improved capabilities and to continue to enhance our existing products. If new products or existing products have reliability, quality, design, or safety problems, our performance may be impacted by reduced orders, higher manufacturing costs, delays in acceptance of and payment for new products, and additional service and warranty expenses. We may be unable to develop and manufacture products successfully, or products that we introduce may fail in the marketplace. For more than 25 years, the primary driver of technology advancement in the semiconductor industry has been to shrink the lithography that prints the circuit design on semiconductor chips. That driver could be approaching its technological limit, leading semiconductor manufacturers to investigate more complex changes in multiple technologies in an effort to continue technology development. In addition, the emergence of “big data” and new tools such as machine learning and artificial intelligence that capitalize on the availability of large data sets is leading semiconductor manufacturers and equipment manufacturers to pursue new products and approaches that exploit those tools to advance technology development. In the face of uncertainty on which technology solutions will become successful, we will need to focus our efforts on developing the technology changes that are ultimately successful in supporting our customer requirements. Our failure to develop and offer the correct technology solutions in a timely manner with productive and cost-effective products could adversely affect our business in a material way. Our failure to commercialize new products in a timely manner could result in loss of market share, unanticipated costs, and inventory obsolescence, which would adversely affect our financial results.

In order to develop new products and processes and enhance existing products and processes, we expect to continue to make significant investments in R&D, to investigate the acquisition of new products and technologies, to invest in or acquire such business or technologies, and to pursue joint development relationships with customers, suppliers, or other members of the industry. Our investments and acquisitions may not be as successful as we may expect, particularly in the event that we invest in or acquire product lines and technologies that are new to us. We may find that acquisitions are not available to us, for regulatory or other reasons, and that we must therefore limit ourselves to collaboration and joint venture development activities, which do not have the same benefits as acquisitions. Pursuing development through collaboration and/or joint development activities rather than through an acquisition poses substantial challenges for management, including those related to aligning business objectives; sharing confidential information, intellectual property and data; sharing value with third parties; and realizing synergies that might have been available in an acquisition but are not available through a joint development project. We must manage product transitions and joint development relationships successfully, as the introduction of new products could adversely affect our sales of existing products and certain jointly developed technologies may be subject to restrictions on our ability to share that technology with other customers, which could limit our market for products incorporating those technologies. Future technologies, processes, or product developments may render our current product offerings obsolete, leaving us with non-competitive products, obsolete inventory, or both. Moreover, customers may adopt new technologies or processes to address the complex challenges associated with next-generation devices. This shift may result in a reduction in the size of our addressable markets or could increase the relative size of markets in which we either do not compete or have relatively low market share.

#### ***Strategic Alliances and Customer Consolidation May Have Negative Effects on Our Business***

Increasingly, semiconductor manufacturing companies are entering into strategic alliances or consolidating with one another to expedite the development of processes and other manufacturing technologies and/or achieve economies of scale. The outcomes of

such an alliance can be the definition of a particular tool set for a certain function and/or the standardization of a series of process steps that use a specific set of manufacturing equipment, while the outcomes of consolidation can lead to an overall reduction in the market for semiconductor manufacturing equipment as customers' operations achieve economies of scale and/or increased purchasing power based on their higher volumes. In certain instances, this could work to our disadvantage if a competitor's tools or equipment become the standard equipment for such functions or processes. Additional outcomes of such consolidation may include our customers re-evaluating their future supplier relationships to consider our competitors' products and/or gaining additional influence over the pricing of products and the control of intellectual property or data.

Similarly, our customers may partner with, or follow the lead of, educational or research institutions that establish processes for accomplishing various tasks or manufacturing steps. If those institutions utilize a competitor's equipment when they establish those processes, it is likely that customers will tend to use the same equipment in setting up their own manufacturing lines. Even if they select our equipment, the institutions and the customers that follow their lead could impose conditions on acceptance of that equipment, such as adherence to standards and requirements or limitations on how we license our proprietary rights, that increase our costs or require us to take on greater risk. These actions could adversely impact our market share and financial results.

***Once a Semiconductor Manufacturer Commits to Purchase a Competitor's Semiconductor Manufacturing Equipment, the Manufacturer Typically Continues to Purchase That Competitor's Equipment, Making It More Difficult for Us to Sell Our Equipment to That Customer***

Semiconductor manufacturers must make a substantial investment to qualify and integrate wafer processing equipment into a semiconductor production line. We believe that once a semiconductor manufacturer selects a particular supplier's processing equipment, the manufacturer generally relies upon that equipment for that specific production line application for an extended period of time, especially for customers that are more focused on tool reuse. Accordingly, we expect it to be more difficult to sell our products to a given customer for a product line application if that customer initially selects a competitor's equipment for the same product line application.

***We Face a Challenging and Complex Competitive Environment***

We face significant competition from multiple competitors, and with increased consolidation efforts in our industry, as well as the emergence and strengthening of new, regional competitors, we may face increasing competitive pressures. Other companies continue to develop systems and/or acquire businesses and products that are competitive to ours and may introduce new products and product capabilities that may affect our ability to sell and support our existing products. We face a greater risk if our competitors enter into strategic relationships with leading semiconductor manufacturers covering products similar to those we sell or may develop, as this could adversely affect our ability to sell products to those manufacturers.

We believe that to remain competitive we must devote significant financial resources to offer products that meet our customers' needs, to maintain customer service and support centers worldwide, and to invest in product and process R&D. Technological changes and developing technologies, have required, and are expected to continue to require, new and costly investments. Certain of our competitors, including those that are created and financially backed by foreign governments, have substantially greater financial resources and more extensive engineering, manufacturing, marketing, and customer service and support resources than we do and therefore have the potential to offer customers a more comprehensive array of products and/or product capabilities and to therefore achieve additional relative success in the semiconductor equipment industry. These competitors may deeply discount or give away products similar to those that we sell, challenging or even exceeding our ability to make similar accommodations and threatening our ability to sell those products. We also face competition from our own customers, who in some instances have established affiliated entities that manufacture equipment similar to ours. In addition, we face competition from companies that exist in a more favorable legal or regulatory environment than we do, allowing the freedom of action in ways that we may be unable to match. In many cases speed to solution is necessary for customer satisfaction and our competitors may be better positioned to achieve these objectives. For these reasons, we may fail to continue to compete successfully worldwide.

In addition, our competitors may be able to develop products comparable or superior to those we offer or may adapt more quickly to new technologies or evolving customer requirements. In particular, while we continue to develop product enhancements that we believe will address future customer requirements, we may fail in a timely manner to complete the development or introduction of these additional product enhancements successfully, or these product enhancements may not achieve market acceptance or be competitive. Accordingly, competition may intensify, and we may be unable to continue to compete successfully in our markets, which could have a material adverse effect on our revenues, operating results, financial condition, and/or cash flows.

**BUSINESS AND OPERATIONAL RISKS**

***The COVID-19 Outbreak Has Adversely Impacted, and May Continue to Adversely Impact, Our Business, Operations, and Financial Results***

The COVID-19 outbreak and efforts by national, state and local governments worldwide to control its spread have resulted in widespread measures aimed at containing the disease such as quarantines, travel bans, shutdowns, and shelter in place or "stay at home"

orders, which collectively have significantly restricted the movement of people and goods and the ability of businesses to operate. These restrictions and measures, incidents of confirmed or suspected infections within our workforce or those of our suppliers or other business partners, and our efforts to act in the best interests of our employees, customers, and suppliers, have affected and are affecting our business and operations by, among other things, causing facility closures, production delays and capacity limitations; disrupting production by our supply chain; disrupting the transport of goods from our supply chain to us and from us to our customers; requiring modifications to our business processes; requiring the implementation of business continuity plans; requiring the development and qualification of alternative sources of supply; requiring the implementation of social distancing measures that require changes to existing manufacturing processes; disrupting business travel; disrupting our ability to staff our on-site manufacturing and research and development facilities; delaying capital expansion projects; and necessitating teleworking by a large proportion of our workforce. These impacts have caused and are expected to continue to cause delays in product shipments and product development, increases in costs, and decreases in revenue, profitability and cash from operations, which have caused and are expected to cause an adverse effect on our results of operations that may be material. The potential duration and impact of the outbreak on the global economy and on our business are difficult to predict and cannot be estimated with any degree of certainty, but the outbreak has resulted in significant disruption of global financial markets, increases in levels of unemployment, and economic uncertainty, which has adversely impacted our business and may continue to do so, and may lead to significant negative impacts on customer spending, demand for our products, the ability of our customers to pay, our financial condition and the financial condition of our suppliers, and our access to external sources of financing to fund our operations and capital expenditures.

#### ***Our Revenues and Operating Results Are Variable***

Our revenues and operating results may fluctuate significantly from quarter to quarter or year to year due to a number of factors, not all of which are in our control. We manage our expense levels based in part on our expectations of future revenues. Because our operating expenses are based in part on anticipated future revenues, and a certain amount of those expenses are relatively fixed, a change in the timing of recognition of revenue and/or the level of gross profit from a small number of transactions can unfavorably affect operating results in a particular quarter or year. Factors that may cause our financial results to fluctuate unpredictably include but are not limited to:

- economic conditions in the electronics and semiconductor industries in general and specifically the semiconductor equipment industry;
- the size and timing of orders from customers;
- changes in our deferred revenue balance, including as a result of factors such as volume purchase agreements, multi-year service contracts, back orders, and down payments toward purchases;
- consolidation of the customer base, which may result in the investment decisions of one customer or market having a significant effect on demand for our products or services;
- procurement shortages;
- the failure of our suppliers or outsource providers to perform their obligations in a manner consistent with our expectations;
- manufacturing difficulties;
- customer cancellations or delays in shipments, installations, customer payments, and/or customer acceptances;
- the extent that customers continue to purchase and use our products and services in their business;
- our customers' reuse of existing and installed products, to the extent that such reuse decreases their need to purchase new products or services;
- changes in average selling prices, customer mix, and product mix;
- our ability to develop, introduce, and market new, enhanced, and competitive products in a timely manner;
- our competitors' introduction of new products;
- legal or technical challenges to our products and technologies;
- transportation, communication, demand, information technology, or supply disruptions based on factors outside our control, such as strikes, acts of God, wars, terrorist activities, widespread outbreak of illness, natural or man-made disasters, or climate change;
- legal, tax, accounting, or regulatory changes (including but not limited to changes in import/export regulations and tariffs) or changes in the interpretation or enforcement of existing requirements;
- changes in our estimated effective tax rate; and
- foreign currency exchange rate fluctuations.

For example, the COVID-19 outbreak has impacted and could further impact our ability to meet the demand for our products due to production, sourcing, logistics and other challenges resulting from quarantines, shelter in place or stay at home orders, facility closures, workforce challenges, and travel and logistics restrictions in connection with the outbreak.

### ***Certain Critical Information Systems, That We Rely on for the Operation of Our Business and Products That We Sell, Are Susceptible to Cybersecurity and Other Threats or Incidents***

We maintain and rely upon certain critical information systems for the effective operation of our business. These information systems include but are not limited to, telecommunications, the Internet, our corporate intranet, various computer hardware and software applications, (some of which may be integrated into the products that we sell or be required in order to provide the services that we offer), network communications, and email. These information systems may be owned and maintained by us, our outsourced providers, or third parties such as vendors, contractors, customers and Cloud providers. In addition, we make use of Software-as-a-Service (SaaS) products for certain important business functions that are provided by third parties and hosted on their own networks and servers, or third-party networks and servers, all of which rely on networks, email and/or the Internet for their function. All of these information systems are subject to disruption, breach or failure from various sources, including those using techniques that change frequently or may be disguised or difficult to detect, or designed to remain dormant until a triggering event, or that may continue undetected for an extended period of time. Those sources may include mistakes or unauthorized actions by our employees or contractors, phishing schemes and other third-party attacks, and degradation or loss of service or access to data due to viruses, malware, denial of service attacks, destructive or inadequate code, power failures, or physical damage to computers, hard drives, communication lines, or networking equipment.

We have experienced cybersecurity and other threats and incidents in the past. Although past threats and incidents have not resulted in a material adverse effect, we may incur material losses related to cybersecurity and other threats or incidents in the future. If we were subject to a cybersecurity and other incident, it could have a material adverse effect on our business. Such adverse effects might include:

- loss of (or inability to access, e.g. through ransomware) confidential and/or sensitive information stored on these critical information systems or transmitted to or from those systems;
- the disruption of the proper function of our products, services and/or operations;
- the failure of our or our customers' manufacturing processes;
- errors in the output of our work or our customers' work;
- the loss or public exposure of the personal information of our employees, customers or other parties;
- the public release of customer orders, financial and business plans, and operational results;
- exposure to claims from third parties who are adversely impacted by such incidents;
- misappropriation or theft of our or a customer's, supplier's or other party's assets or resources, including technology data, intellectual property or other sensitive information and costs associated therewith;
- reputational damage;
- diminution in the value of our investment in research, development and engineering; or
- our failure to meet, or violation of, regulatory or other legal obligations, such as the timely publication or filing of financial statements, tax information and other required communications.

While we have implemented ISO 27001 compliant security procedures and virus protection software, intrusion prevention systems, identity and access control, and emergency recovery processes, and we carefully select our third-party providers of information systems, to mitigate risks to the information systems that we rely on, and to our technology, data, intellectual property and other sensitive information, those security procedures and mitigation and protection systems cannot be guaranteed to be fail-safe and we may still suffer cybersecurity and other incidents. It has been difficult and may continue to be difficult to hire and retain employees with substantial cybersecurity acumen. In addition, there have been and may continue to be instances of our policies and procedures not being effective in enabling us to identify risks, threats and incidents in a timely manner, or at all, or to respond expediently, appropriately and effectively when incidents occur and repair any damage caused by such incidents, and such occurrences could have a material adverse effect on our business.

### ***We Are Subject to Risks Relating to Product Concentration and Lack of Product Revenue Diversification***

We derive a substantial percentage of our revenues from a limited number of products. Our products are priced up to approximately \$15 million per system. As a result, the inability to recognize revenue on even a few systems can cause a significantly adverse impact on our revenues for a given quarter, and, in the longer term, the continued market acceptance of these products is critical to our future success. Our business, operating results, financial condition, and cash flows could therefore be adversely affected by:

- a decline in demand for even a limited number of our products;
- a failure to achieve continued market acceptance of our key products;
- export restrictions or other regulatory or legislative actions that could limit our ability to sell those products to key customers or customers within certain markets;
- an improved version of products being offered by a competitor in the markets in which we participate;

- increased pressure from competitors that offer broader product lines;
- increased pressure from regional competitors;
- technological changes that we are unable to address with our products; or
- a failure to release new or enhanced versions of our products on a timely basis.

In addition, the fact that we offer limited product lines creates the risk that our customers may view us as less important to their business than our competitors that offer additional products and/or product capabilities, including new products that take advantage of “big data” or other new technologies such as machine learning and artificial intelligence. This may impact our ability to maintain or expand our business with certain customers. Such product concentration may also subject us to additional risks associated with technology changes. Our business is affected by our customers’ use of our products in certain steps in their wafer fabrication processes. Should technologies change so that the manufacture of semiconductors requires fewer steps using our products, this could have a larger impact on our business than it would on the business of our less concentrated competitors.

#### ***We Depend on a Limited Number of Key Suppliers and Outsource Providers, and We Run the Risk That They Might Not Perform as We Expect***

Outsource providers and component suppliers have played and will continue to play a key role in our product development, manufacturing operations, field installation and support, and many of our transactional and administrative functions, such as information technology, facilities management, and certain elements of our finance organization. These providers and suppliers might suffer financial setbacks, be acquired by third parties, become subject to exclusivity arrangements that preclude further business with us, or be unable to meet our requirements or expectation due to their independent business decisions or *force majeure* events that could interrupt or impair their continued ability to perform as we expect.

Although we attempt to select reputable providers and suppliers and we attempt to secure their performance on terms documented in written contracts, it is possible that one or more of these providers or suppliers could fail to perform as we expect, or fail to secure or protect intellectual property rights, and such failure could have an adverse impact on our business. In some cases, the requirements of our business mandate that we obtain certain components and sub-assemblies included in our products from a single supplier or a limited group of suppliers. Where practical, we endeavor to establish alternative sources to mitigate the risk that the failure of any single provider or supplier will adversely affect our business, but this is not feasible in all circumstances. There is therefore a risk that a prolonged inability to obtain certain components or secure key services could impair our ability to manage operations, ship products, and generate revenues, which could adversely affect our operating results and damage our customer relationships. For example, the COVID-19 outbreak has impacted and could further impact our manufacturing operations, supply chain, and customer support due to production, sourcing, logistics and other challenges resulting from quarantines, stay at home orders, facility closures, workforce challenges, and travel and logistics restrictions in connection with the outbreak.

#### ***We Face Risks Related to the Disruption of Our Primary Manufacturing Facilities***

While we maintain business continuity plans, our manufacturing facilities are concentrated in a limited number of locations. These locations are subject to disruption for a variety of reasons, such as natural or man-made disasters, widespread outbreaks of illness, terrorist activities, political or governmental unrest or instability, disruptions of our information technology resources, utility interruptions, the effects of climate change, or other events beyond our control. Such disruptions may cause delays in shipping our products, which could result in the loss of business or customer trust, adversely affecting our business and operating results. For example, the COVID-19 outbreak has impacted and could further impact our manufacturing operations, supply chain, and customer support due to production, sourcing, logistics and other challenges resulting from quarantines, “stay at home” orders, facility closures, workforce challenges, and travel and logistics restrictions in connection with the outbreak.

#### ***Our Future Success Depends Heavily on International Sales and the Management of Global Operations***

Non-U.S. sales, as reflected in Part II Item 7. Results of Operation of this 2021 Form 10-K, accounted for approximately 94%, 92%, and 92% of total revenue in fiscal years 2021, 2020, and 2019, respectively. We expect that international sales will continue to account for a substantial majority of our total revenue in future years.

We are subject to various challenges related to international sales and the management of global operations including, but not limited to:

- domestic and international trade regulations, policies, practices, relations, disputes and issues;
- domestic and international tariffs, export controls and other barriers;
- developing customers and/or suppliers, who may have limited access to capital resources;
- global or national economic and political conditions;
- changes in currency controls;

- differences in the enforcement of intellectual property and contract rights in varying jurisdictions;
- our ability to respond to customer and foreign government demands for locally sourced systems, spare parts, and services and develop the necessary relationships with local suppliers;
- changes in and compliance with U.S. and international laws and regulations affecting foreign operations, including U.S. and international trade restrictions and sanctions, anti-bribery, anti-corruption, anti-boycott, environmental, tax, and labor laws;
- fluctuations in interest and foreign currency exchange rates;
- the need for technical support resources in different locations; and
- our ability to secure and retain qualified people, and effectively manage people, in all necessary locations for the successful operation of our business.

For example, the COVID-19 outbreak has impacted and could further impact our manufacturing operations, supply chain, and customer support due to production, sourcing, logistics and other challenges resulting from quarantines, stay at home orders, facility closures, workforce challenges, and travel and logistics restrictions in connection with the outbreak.

There is inherent risk, based on the complex relationships among China, Japan, Korea, Taiwan, and the United States, that political, diplomatic and national security influences might lead to trade disputes, impacts and/or disruptions, in particular those affecting the semiconductor industry. This would adversely affect our business with China, Japan, Korea, and/or Taiwan and perhaps the entire Asia Pacific region or global economy. A significant trade dispute, impact and/or disruption in any area where we do business could have a materially adverse impact on our future revenue and profits.

Tariffs, export controls, additional taxes, trade barriers, sanctions, or the termination or modification of trade agreements, trade zones, and other duty mitigation initiatives, may increase our manufacturing costs, decrease margins, reduce the competitiveness of our products, or inhibit our ability to sell products or purchase necessary equipment and supplies, which could have a material adverse effect on our business, results of operations, or financial conditions. Certain of our international sales depend on our ability to obtain export licenses from the U.S. or foreign governments, and our inability to obtain such licenses, or an expansion of the number or kinds of sales for which export licenses are required, could potentially limit the market for our products and adversely impact our revenues. As is discussed below under the heading “Our Sales to Customers in China, a Region of Growing Significance to Us, Could be Materially and Adversely Affected by Export License Requirements and Other Regulatory Changes, or Other Governmental Actions in the Course of the Trade Relationship Between the U.S. and China,” the U.S. government has recently expanded export license requirements that impact trade with China. In addition, the U.S. government is in the process of assessing which “emerging and foundational” technologies may be subject to new or additional export controls under the 2018 Export Control Reform Act, and it is possible that such controls, if and when imposed, could adversely impact our ability to sell our products outside the U.S. Furthermore, there are risks that foreign governments may, among other things, insist on the use of local suppliers; compel companies to partner with local companies to design and supply equipment on a local basis, requiring the transfer of intellectual property rights and/or local manufacturing; utilize their influence over their judicial systems to respond to intellectual property disputes or issues; and provide special incentives to government-backed local customers to buy from local competitors, even if their products are inferior to ours; all of which could adversely impact our revenues and margins.

We are exposed to potentially adverse movements in foreign currency exchange rates. The majority of our sales and expenses are denominated in U.S. dollars. However, we are exposed to foreign currency exchange rate fluctuations primarily related to revenues denominated in Japanese yen and expenses denominated in euro, Korean won, Malaysian ringgit, and Indian rupee. Currently, we hedge certain anticipated foreign currency cash flows, primarily anticipated revenues denominated in Japanese yen and expenses dominated in euro, Korean won, Malaysian ringgit, and Indian rupee. In addition, we enter into foreign currency hedge contracts to minimize the short-term impact of the foreign currency exchange rate fluctuations on certain foreign currency denominated monetary assets and liabilities, primarily third-party accounts receivables, accounts payables, and intercompany receivables and payables. We believe these are our primary exposures to currency rate fluctuation. We expect to continue to enter into hedging transactions, for the purposes outlined, for the foreseeable future. However, these hedging transactions may not achieve their desired effect because differences between the actual timing of the underlying exposures and our forecasts of those exposures may leave us either over or under hedged on any given transaction. Moreover, by hedging these foreign currency denominated revenues, expenses, monetary assets, and liabilities, we may miss favorable currency trends that would have been advantageous to us but for the hedges. Additionally, we are exposed to short-term foreign currency exchange rate fluctuations on non-U.S. dollar-denominated monetary assets and liabilities (other than those currency exposures previously discussed), and currently we do not enter into foreign currency hedge contracts against these exposures. Therefore, we are subject to potential unfavorable foreign currency exchange rate fluctuations to the extent that we transact business (including intercompany transactions) in these currencies.

The magnitude of our overseas business also affects where our cash is generated. Certain uses of cash, such as share repurchases, payment of dividends, or the repayment of our notes, can usually only be made with onshore cash balances. Since the majority of our cash is generated outside of the United States, this may impact certain business decisions and outcomes.

#### ***Our Ability to Attract, Retain, and Motivate Key Employees Is Critical to Our Success***

Our ability to compete successfully depends in large part on our ability to attract, retain, and motivate key employees with the appropriate skills, experiences and competencies. This is an ongoing challenge due to intense competition for top talent, fluctuations in industry

or business economic conditions, as well as increasing geographic expansion, and these factors in combination may result in cycles of hiring activity and workforce reductions. Our success in hiring depends on a variety of factors, including the attractiveness of our compensation and benefit programs, global economic or political and industry conditions, our organizational structure, global competition for talent and the availability of qualified employees, the availability of career development opportunities, the ability to obtain necessary authorizations for workers to provide services outside their home countries, and our ability to offer a challenging and rewarding work environment. We periodically evaluate our overall compensation and benefit programs and make adjustments, as appropriate, to maintain or enhance their competitiveness. If we are not able to successfully attract, retain, and motivate key employees, we may be unable to capitalize on market opportunities and our operating results may be materially and adversely affected.

#### ***We May Fail to Protect Our Critical Proprietary Technology Rights, Which Could Affect Our Business***

Our success depends in part on our proprietary technology and our ability to protect key components of that technology through patents, copyrights, trade secrets and other forms of protection. Protecting our key proprietary technology helps us achieve our goals of developing technological expertise and new products and systems that give us a competitive advantage; increasing market penetration and growth of our installed base; and providing comprehensive support and service to our customers. As part of our strategy to protect our technology, we currently hold a number of U.S. and foreign patents and pending patent applications, and we keep certain information, processes, and techniques confidential and/or as trade secrets. However, other parties may challenge or attempt to invalidate or circumvent any patents the U.S. or foreign governments issue to us; these governments may fail to issue patents for pending applications; or we may lose trade secret protection over valuable information due to our or third parties' intentional or unintentional actions or omissions or even those of our own employees. Additionally, intellectual property litigation can be expensive and time-consuming and even when patents are issued, or trade secret processes are followed, the legal systems in certain of the countries in which we do business might not enforce patents and other intellectual property rights as rigorously or effectively as the United States or may favor local entities in their intellectual property enforcement. The rights granted or anticipated under any of our patents, pending patent applications, or trade secrets may be narrower than we expect or, in fact, provide no competitive advantages. Moreover, because we selectively file for patent protection in different jurisdictions, we may not have adequate protection in all jurisdictions based on such filing decisions. Any of these circumstances could have a material adverse impact on our business.

#### ***If We Choose to Acquire or Dispose of Businesses, Product Lines, and Technologies, We May Encounter Unforeseen Costs and Difficulties That Could Impair Our Financial Performance***

An important element of our management strategy is to review acquisition prospects that would complement our existing products, augment our market coverage and distribution ability, enhance our technological capabilities, or accomplish other strategic objectives. As a result, we may seek to make acquisitions of complementary companies, products, or technologies, or we may reduce or dispose of certain product lines or technologies that no longer fit our long-term strategies. For regulatory or other reasons, we may not be successful in our attempts to acquire or dispose of businesses, products, or technologies, resulting in significant financial costs, reduced or lost opportunities, and diversion of management's attention. Managing an acquired business, disposing of product technologies, or reducing personnel entails numerous operational and financial risks, including difficulties in assimilating acquired operations and new personnel or separating existing business or product groups, diversion of management's attention away from other business concerns, amortization of acquired intangible assets, adverse customer reaction to our decision to cease support for a product, and potential loss of key employees or customers of acquired or disposed operations. There can be no assurance that we will be able to achieve and manage successfully any such integration of potential acquisitions, disposition of product lines or technologies, or reduction in personnel, or that our management, personnel, or systems will be adequate to support continued operations. Any such inabilities or inadequacies could have a material adverse effect on our business, operating results, financial condition, and/or cash flows.

In addition, any acquisition could result in changes such as potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the amortization of related intangible assets, and goodwill impairment charges, any of which could materially adversely affect our business, financial condition, results of operations, cash flows, and/or the price of our Common Stock.

#### **LEGAL, REGULATORY AND TAX RISKS**

#### ***Our Sales to Customers in China, a Region of Growing Significance to Us, Could be Materially and Adversely Affected by Export License Requirements and Other Regulatory Changes, or Other Governmental Actions in the Course of the Trade Relationship Between the U.S. and China.***

China represents a large and fast-developing market for the semiconductor equipment industry and therefore is important to our business. Revenue in China, which includes global customers and domestic Chinese customers with manufacturing facilities in China, represented approximately 35%, 31%, and 22% of our total revenue for fiscal years 2021, 2020, and 2019, respectively. The U.S. and China have historically had a complex relationship that has included actions that have impacted trade between the two countries. Recently, these actions have included an expansion of export license requirements imposed by the U.S. government, which have limited the market for our products, adversely impacted our revenues, and increased our exposure to foreign competition, and could potentially do so to an even greater extent in the future. For example, over the course of calendar year 2020, the U.S. Department of Commerce

enacted a new rule that expanded export license requirements for U.S. companies to sell certain items to companies and other end-users in China that are designated as military end-users or have operations that could support military end uses, added additional Chinese companies to its restricted entity list (including Semiconductor Manufacturing International Corporation, or SMIC, and related entities), and expanded an existing rule (referred to as the foreign direct product rule) in a manner that could cause foreign-made wafers, chipsets, and certain related items produced with many of our products to be subject to U.S. licensing requirements if Huawei Technologies Co. Ltd (“Huawei”) or its affiliates are parties to a transaction involving the items. These rules have required and may require us to apply for and obtain additional export licenses to supply certain of our products to specified customers in China, such as SMIC (where those products would not otherwise require an export license to China), and there is no assurance that we will be issued licenses that we apply for on a timely basis or at all. In addition, our customers (including but not limited to Chinese customers) may require U.S. export licenses for the use of our products in order to manufacture products, including semiconductor wafers and integrated circuits, for those of their customers (i.e. Huawei and its affiliates) that are subject to the expanded foreign direct product rule, which may adversely impact the demand for our products. The U.S. Department of Commerce could in the future add additional Chinese companies to its restricted entity list or take other actions that could expand licensing requirements or otherwise impact the market for our products and our revenue. The implementation, interpretation and impact on our business of these rules and other regulatory actions taken by the U.S. government is uncertain and evolving, and these rules, other regulatory actions or changes, and other actions taken by the governments of either the U.S. or China, or both, that have occurred and may occur in the future could materially and adversely affect our results of operations.

#### ***Our Financial Results May Be Adversely Impacted by Higher than Expected Tax Rates or Exposure to Additional Tax Liabilities***

We are subject to income, transaction, and other taxes in the United States and various foreign jurisdictions, and significant judgment is required to determine worldwide tax liabilities. The amount of taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect our profitability. As a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region. Our effective tax rate could be adversely affected by changes in the split of earnings between countries with differing statutory tax rates, in the valuation allowance of deferred tax assets, in tax laws, by material audit assessments, or by changes in or expirations of agreements with tax authorities. These factors could affect our profitability. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent on our ability to generate future taxable income in the United States.

Recommendations made by the Organization for Economic Co-operation and Development’s Base Erosion and Profit Shifting project have the potential to lead to changes in the tax laws in numerous countries. In addition, President Joseph Biden has made several corporate income tax proposals, including a significant increase to the U.S. corporate income tax rate and changes in the taxation of non-U.S. income. If enacted, such changes could have a material impact on our effective tax rate.

#### ***We Are Exposed to Various Risks from Our Regulatory Environment***

We are subject to various risks related to (1) new, different, inconsistent, or even conflicting laws, rules, and regulations that may be enacted by legislative or executive bodies and/or regulatory agencies in the countries that we operate; (2) disagreements or disputes related to international trade; and (3) the interpretation and application of laws, rules, and regulations. As a public company with global operations, we are subject to the laws of multiple jurisdictions and the rules and regulations of various governing bodies, including those related to export controls, financial and other disclosures, corporate governance, privacy, anti-corruption, such as the Foreign Corrupt Practices Act and other local laws prohibiting corrupt payments to governmental officials, anti-boycott compliance, conflict minerals or other social responsibility legislation, immigration or travel regulations, antitrust regulations, and laws or regulations relating to carbon emissions, as well as other laws or regulations imposed in response to climate change concerns, among others. Each of these laws, rules, and regulations imposes costs on our business, including financial costs and potential diversion of our management’s attention associated with compliance, and may present risks to our business, including potential fines, restrictions on our actions, and reputational damage if we do not fully comply.

To maintain high standards of corporate governance and public disclosure, we intend to invest appropriate resources to comply with evolving standards. Changes in or ambiguous interpretations of laws, regulations, and standards may create uncertainty regarding compliance matters. Efforts to comply with new and changing regulations have resulted in, and are likely to continue to result in, reduced operating income, and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If we are found by a court or regulatory agency not to be in compliance with the laws and regulations, our business, financial condition, and/or results of operations could be adversely affected.

#### ***A Failure to Comply with Environmental Regulations May Adversely Affect Our Operating Results***

We are subject to a variety of domestic and international governmental regulations related to the handling, discharge, and disposal of toxic, volatile, or otherwise hazardous chemicals. Failure to comply with present or future environmental regulations could result in fines being imposed on us, require us to undertake remediation activities, suspend production, and/or cease operations, or cause our customers to not accept our products. These regulations could require us to alter our current operations, acquire significant additional equipment, incur substantial other expenses to comply with environmental regulations, or take other actions. Any failure to comply

with regulations governing the use, handling, sale, transport, or disposal of hazardous substances could subject us to future liabilities that may adversely affect our operating results, financial condition, and ability to operate our business.

#### ***Intellectual Property, Indemnity, and Other Claims Against Us Can Be Costly and We Could Lose Significant Rights That Are Necessary to Our Continued Business and Profitability***

Third parties may assert infringement, misappropriation, unfair competition, product liability, breach of contract, or other claims against us. From time to time, other persons send us notices alleging that our products infringe or misappropriate their patent or other intellectual property rights. In addition, law enforcement authorities may seek criminal charges relating to intellectual property or other issues. We also face risks of claims arising from commercial and other relationships. In addition, our bylaws and other indemnity obligations provide that we will indemnify officers and members of our Board of Directors against losses that they may incur in legal proceedings resulting from their service to us. From time to time, in the normal course of business, we indemnify third parties with whom we enter into contractual relationships, including customers and suppliers, with respect to certain matters. We have agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, other third-party claims that our products when used for their intended purposes infringe the intellectual property rights of such other third parties, or other claims made against certain parties. In such cases, it is our policy either to defend the claims or to negotiate licenses or other settlements on commercially reasonable terms. However, we may be unable in the future to negotiate necessary licenses or reach agreement on other settlements on commercially reasonable terms, or at all, and any litigation resulting from these claims by other parties may materially and adversely affect our business and financial results, and we may be subject to substantial damage awards and penalties. Moreover, although we have insurance to protect us from certain claims and cover certain losses to our property, such insurance may not cover us for the full amount of any losses, or at all, and may be subject to substantial exclusions and deductibles.

#### ***Our Bylaws Designate the Court of Chancery of the State of Delaware as the Sole and Exclusive Judicial Forum for Certain Legal Actions Between the Company and its Stockholders, Which May Discourage Lawsuits with Respect to Such Claims.***

Our bylaws provide that, unless we consent otherwise, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for lawsuits asserting certain stockholder claims (including claims asserted derivatively for our benefit), such as claims against directors and officers for breach of a fiduciary duty, claims arising under any provision of the General Corporation Law of Delaware or our certificate of incorporation or our bylaws, or claims governed by the internal affairs doctrine. This is a general summary of the bylaw provision; you should refer to the language of the bylaws for details. While the forum provision does not generally apply to direct claims arising under the Securities Exchange Act of 1934 or the Securities Act of 1933, derivative lawsuits that assert legal claims arising under these statutes could fall within the provision, as recent court decisions have held.

As a Delaware corporation, Delaware law controls issues of our internal affairs, including duties that our directors, officers, employees, and others owe to the Company and its stockholders. We believe that our exclusive forum provision benefits us, and our stockholders, by permitting relatively prompt resolution of lawsuits concerning our internal affairs, promoting consistent application of Delaware law in these lawsuits, and reducing the possibility of duplicative, costly, multi-jurisdictional litigation with the potential for inconsistent outcomes. However, the forum provision limits a stockholder's ability to bring a claim in a judicial forum that it believes may be more favorable than Delaware, and this could discourage the filing of such lawsuits.

#### **FINANCIAL, ACCOUNTING AND CAPITAL MARKETS RISKS**

##### ***The Market for Our Common Stock Is Volatile, Which May Affect Our Ability to Raise Capital or Make Acquisitions or May Subject Our Business to Additional Costs***

The market price for our Common Stock is volatile and has fluctuated significantly over the past years. The trading price of our Common Stock could continue to be highly volatile and fluctuate widely in response to a variety of factors, many of which are not within our control or influence. These factors include but are not limited to the following:

- general market, semiconductor, or semiconductor equipment industry conditions;
- economic or political events, trends, and unexpected developments occurring nationally, globally, or in any of our key sales regions;
- variations in our quarterly operating results and financial condition, including our liquidity;
- variations in our revenues, earnings, or other business and financial metrics from forecasts by us or securities analysts or from those experienced by other companies in our industry;
- announcements of restructurings, reductions in force, departure of key employees, and/or consolidations of operations;
- margin trading, short sales, hedging and derivative transactions involving our Common Stock;
- government regulations;
- developments in, or claims relating to, patent or other proprietary rights;

- technological innovations and the introduction of new products by us or our competitors;
- commercial success or failure of our new and existing products; or
- disruptions of relationships with key customers or suppliers.

In addition, the stock market experiences significant price and volume fluctuations. Historically, we have witnessed significant volatility in the price of our Common Stock due in part to the price of and markets for semiconductors. These and other factors have adversely affected and may again adversely affect the price of our Common Stock, regardless of our actual operating performance. In the past, following volatile periods in the price of their stock, many companies became the object of securities class action litigation. If we are sued in a securities class action, we could incur substantial costs, and it could divert management's attention and resources and have an unfavorable impact on our financial performance and the price for our Common Stock.

#### ***We May Incur Impairments to Goodwill or Long-lived Assets***

We review our goodwill identified in business combinations for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of these assets may exceed the fair value. We review all other long-lived assets, including finite-lived intangible assets, whenever events or changes in circumstance indicate that these assets may not be recoverable. The process of evaluating the potential impairment of goodwill and other long-lived assets requires significant judgement. Negative industry or economic trends, including reduced market prices of our Common Stock, reduced estimates of future cash flows, disruptions to our business, slower growth rates, or lack of growth in our relevant business units, could lead to impairment charges against our long-lived assets, including goodwill and other intangible assets.

When evaluating goodwill, if we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a quantitative impairment test is performed and we may be required to record an impairment charge in that period, which could adversely affect our result of operations.

When evaluating other long-lived assets, if we conclude that the estimated undiscounted cash flows attributable to the assets are less than their carrying value, we recognize an impairment loss based on the excess of the carrying amount of the assets over their respective fair values, which could adversely affect our results of operations.

Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and to rely heavily on projections of future operating performance. We operate in a highly competitive environment and projections of future operating results and cash flows may vary significantly from actual results. Additionally, if our analysis indicates potential impairment, we may be required to record additional charges to earnings in our financial statements, which could negatively affect our results of operations.

#### ***Our Leverage and Debt Service Obligations May Adversely Affect Our Financial Condition, Results of Operations, and Earnings per Share***

We have \$5.0 billion in aggregate principal amount of senior unsecured notes outstanding. Additionally, we have funding available to us under our \$1.5 billion commercial paper program and our \$1.5 billion revolving credit facility, which serves as a backstop to our commercial paper program. Our revolving credit facility also includes an option to increase the amount up to an additional \$600.0 million, for a potential total commitment of \$2.1 billion. We may, in the future, decide to enter into additional debt arrangements.

In addition, we have entered, and in the future may enter, into derivative instrument arrangements to hedge against the variability of cash flows due to changes in the benchmark interest rate of fixed rate debt. We could be exposed to losses in the event of nonperformance by the counterparties to our derivative instruments.

Our indebtedness could have adverse consequences, including:

- risk associated with the alternative reference rate reform (e.g. LIBOR transition);
- risk associated with any inability to satisfy our obligations;
- a portion of our cash flows that may have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions, or general corporate or other purposes; and
- impairment of our ability to obtain additional financing in the future.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory, and other factors. Furthermore, our operations may not generate sufficient cash flows, to enable us to meet our expenses and service our debt. As a result, we may need to enter into new financing arrangements to obtain the necessary funds. If we determine it is necessary to seek additional funding for any reason, we may not be able to obtain such funding or, if funding is available, obtain it on acceptable terms. If we fail to make a payment on our debt, we could be in default on such debt, and this default could cause us to be in default on our other outstanding indebtedness.

#### ***Our Credit Agreements Contain Covenant Restrictions That May Limit Our Ability to Operate Our Business***

We may be unable to respond to changes in business and economic conditions, engage in transactions that might otherwise be beneficial to us, or obtain additional financing because our debt agreements contain, and any of our other future similar agreements may contain, covenant restrictions that limit our ability to, among other things:

- incur additional debt, assume obligations in connection with letters of credit, or issue guarantees;
- create liens;
- enter into transactions with our affiliates;
- sell certain assets; and
- merge or consolidate with any person.

Our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions. In addition, our failure to comply with these covenants could result in a default under the Senior Notes, the Convertible Notes, or our other debt, which could permit the holders to accelerate such debt. If any of our debt is accelerated, we may not have sufficient funds available to repay such debt, which could materially and negatively affect our financial condition and results of operation.

#### ***There Can Be No Assurance That We Will Continue to Declare Cash Dividends or Repurchase Our Shares at All or in Any Particular Amounts***

Our Board of Directors has declared quarterly dividends since April 2014. Our intent 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 all laws and agreements applicable to the declaration and payment of cash dividends or the repurchasing of shares by us. Future dividends and share repurchases may also be affected by, among other factors, our views on potential future capital requirements for investments in acquisitions and the funding of our research and development; legal risks; changes in federal, state, and international tax laws or corporate laws; contractual restrictions, such as financial or operating covenants in our debt arrangements; availability of onshore cash flow; 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 at all or in any particular amounts. A reduction or suspension in our dividend payments or share repurchases could have a negative effect on the price of our Common Stock.

#### ***Item 1B. Unresolved Staff Comments***

None.

#### ***Item 2. Properties***

Our executive offices and principal operating and R&D facilities are located in Fremont and Livermore, California; Tualatin, Oregon; and Villach, Austria. The majority of the Fremont and Livermore facilities are held under finance leases expiring in September 2027. The Villach facilities are held under finance leases expiring in calendar year 2021. Our Fremont, Livermore, and Villach leases include options to renew or purchase the facilities. In addition, we lease or own properties for our service, technical support, and sales personnel throughout the United States, China, Europe, India, Japan, Korea, Southeast Asia, and Taiwan and lease or own manufacturing facilities located in California, Ohio, Oregon, Austria, Korea and Taiwan. In 2020, we announced the establishment of a new owned advanced technology production facility in Malaysia and the facility began production in July 2021. The Company owns two properties in Fremont, as well as the majority of the Tualatin facilities. Our facilities lease obligations are subject to periodic increases. We believe that our existing facilities are well-maintained and in good operating condition.

#### ***Item 3. Legal Proceedings***

Please refer to the subsection entities “Legal Proceedings” within Note 17: Commitments and Contingencies to our Consolidated Financial Statements included in Part II, Item 8 of this 2021 Form 10-K.

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

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Stock Information

Our Common Stock is traded on the Nasdaq Global Select Market<sup>SM</sup> under the symbol "LRCX." As of August 12, 2021, we had 476 stockholders of record.

#### Dividends

Our Board of Directors has declared quarterly dividends since April 2014. Our intent to continue to pay quarterly dividends is subject to capital availability and periodic determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and are in compliance with all laws and agreements applicable to the declaration and payment of cash dividends by us. During fiscal year 2021, our quarterly dividend declared was \$1.30 per share.

#### Repurchases of Company Shares

In November 2020, the Board of Directors authorized management to repurchase up to an additional \$5.0 billion of Common Stock; this authorization supplements the remaining balance from any prior authorization. These repurchases can be conducted on the open market or as private purchases and may include the use of derivative contracts with large financial institutions, in all cases subject to compliance with applicable law. This repurchase program has no termination date and may be suspended or discontinued at any time.

#### Accelerated Share Repurchase Agreements

On February 11, 2021, we entered into an accelerated share repurchase agreement (the "February 2021 ASR") with a financial institution to repurchase a total of \$500 million of Common Stock. We took an initial delivery of approximately 655 thousand shares, which represented 75% of the prepayment amount divided by our closing stock price on February 11, 2021. The total number of shares received under the February 2021 ASR was based upon the average daily volume weighted average price of our Common Stock during the repurchase period, less an agreed upon discount. Final settlement of the February 2021 ASR occurred during May 2021, resulting in the receipt of approximately 213 thousand additional shares, which yielded a weighted-average share price of approximately \$575.74 for the transaction period.

Share repurchases, including those under the repurchase program, were as follows:

Period	Total Number of Shares Repurchased <sup>(1)</sup>	Average Price Paid per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Amount Available Under Repurchase Program
(in thousands, except per share data)				
Available balance as of June 28, 2020				\$1,773,427
Quarter ended September 27, 2020	1,359	\$343.71	1,344	1,311,429
Quarter ended December 27, 2020	1,797	\$405.00	1,789	5,586,944
Quarter ended March 28, 2021	1,731	\$536.75	1,474	4,661,845
March 29, 2021 – April 25, 2021	3	\$637.73	—	4,661,845
April 26, 2021 – May 23, 2021	552	\$598.19	547	4,461,850
May 24, 2021 – June 27, 2021	377	\$639.02	375	4,222,220
<b>Total<sup>(3)</sup></b>	<b>5,819</b>	<b>\$619.80</b>	<b>5,529</b>	<b>\$4,222,220</b>

(1) During the fiscal year ended June 27, 2021, we acquired 290 thousand shares at a total cost of \$166.4 million which we withheld through net share settlements to cover minimum tax withholding obligations upon the vesting of restricted stock unit awards granted under our equity compensation plans. The shares retained by us through these net share settlements are not a part of the Board-authorized repurchase program but instead are authorized under our equity compensation plan.

(2) Average price paid per share excludes the effect of accelerated share repurchases. See additional disclosure above regarding our accelerated share repurchase activity during the fiscal year.

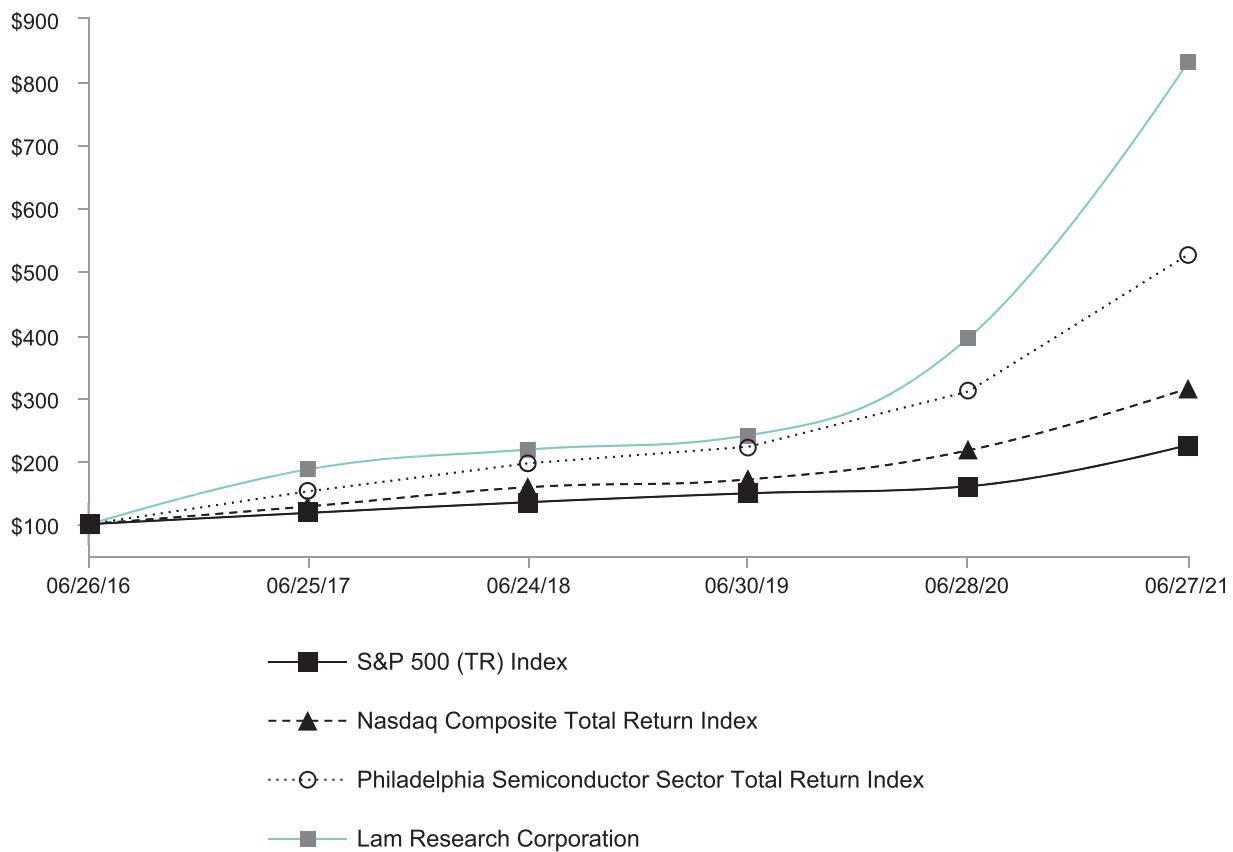
(3) Average price paid per share presented is for the quarter ended June 27, 2021.

## Cumulative Five-Year Return

The graph below compares Lam Research Corporation's cumulative five-year total shareholder return on Common Stock with the cumulative total returns of the Philadelphia Semiconductor Sector Total Return Index, the Nasdaq Composite Total Return index, and the Standard & Poor's ("S&P") 500 (TR) index. The graph tracks the performance of a \$100 investment in our Common Stock and in each of the indices (with the reinvestment of all dividends) for the five years ended June 27, 2021.

### COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN\*

Among Lam Research Corporation, the  
Philadelphia Semiconductor Sector Total Return  
Index, the Nasdaq Composite Total Return Index,  
and the S&P 500 (TR) Index.



\*\$100 invested on June 26, 2016 in stock or June 30, 2016 in index, including reinvestment of dividends.  
Indexes calculated on month-end basis.

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	June 26, 2016	June 25, 2017	June 24, 2018	June 30, 2019	June 28, 2020	June 27, 2021
Lam Research Corporation	\$100.00	\$187.10	\$218.21	\$240.87	\$394.96	\$831.99
Philadelphia Semiconductor Sector Total Return Index	\$100.00	\$152.21	\$196.53	\$222.68	\$310.27	\$526.91
Nasdaq Composite Total Return Index	\$100.00	\$128.30	\$158.57	\$170.91	\$216.96	\$315.10
S&P 500 (TR) Index	\$100.00	\$117.90	\$134.84	\$148.89	\$160.06	\$225.36

## **Item 6. [Reserved]**

The Company has elected to early adopt the amendments to Items 301 and 302 of Regulation S-K contained in SEC Release No. 33-10890. As a result, the disclosure previously provided in Part II, Item 6 is no longer required. There were no retrospective changes to the Consolidated Statements of Operations for any quarters in the two most recent fiscal years that would require disclosure under Item 302, as amended.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

***The following discussion of our financial condition and results of operations contains forward-looking statements, which are subject to risks, uncertainties, and changes in condition, significance, value, and effect. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including but not limited to those discussed in "Risk Factors" and elsewhere in this 2021 Form 10-K and other documents we file from time to time with the Securities and Exchange Commission. (See "Cautionary Statement Regarding Forward-Looking Statements" in Part I of this 2021 Form 10-K.)***

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides a description of our results of operations and should be read in conjunction with our Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in Part II, Item 8 of this 2021 Form 10-K. MD&A consists of the following sections:

*Executive Summary* provides a summary of the key highlights of our results of operations and our management's assessment of material trends and uncertainties relevant to our business.

*Results of Operations* provides an analysis of operating results.

*Critical Accounting Policies and Estimates* discusses accounting policies that reflect the more significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

*Liquidity and Capital Resources* provides an analysis of cash flows, contractual obligations, and financial position.

### ***Executive Summary***

Lam Research Corporation is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. We have built a strong global presence with core competencies in areas like nanoscale applications enablement, chemistry, plasma and fluidics, advanced systems engineering and a broad range of operational disciplines. Our products and services are designed to help our customers build smaller, faster, and better performing devices that are used in a variety of electronic products, including mobile phones, personal computers, servers, wearables, automotive vehicles, and data storage devices.

Our customer base includes leading semiconductor memory, foundry, and integrated device manufacturers that make products such as NVM, DRAM, and logic devices. We aim to increase our strategic relevance with our customers by contributing more to their continued success. Our core technical competency is integrating hardware, process, materials, software, and process control enabling results on the wafer.

Semiconductor manufacturing, our customers' business, involves the complete fabrication of multiple dies or integrated circuits on a wafer. This involves the repetition of a set of core processes and can require hundreds of individual steps. Fabricating these devices requires highly sophisticated process technologies to integrate an increasing array of new materials with precise control at the atomic scale. Along with meeting technical requirements, wafer processing equipment must deliver high productivity and be cost-effective.

Demand from the Cloud, IoT, and other markets is driving the need for increasingly powerful and cost-efficient semiconductors. At the same time, there are growing technical challenges with traditional scaling. These trends are driving significant inflections in semiconductor manufacturing, such as the increasing importance of vertical 3D scaling strategies as well as multiple patterning to enable shrinks.

We believe we are in a strong position with our leadership and competency in deposition, etch, and clean to facilitate some of the most significant innovations in semiconductor device manufacturing. We have a broad portfolio of products that provide complementary processing steps used throughout semiconductor manufacturing. Our Customer Support Business Group focuses attention on delivering solutions that meet our customers' technical requirements and productivity needs during the equipment lifecycle. Several factors create opportunity for sustainable differentiation for us: (i) our focus on research and development, with several on-going programs relating to sustaining engineering, product and process development, and concept and feasibility; (ii) our ability to effectively leverage cycles of learning from our broad installed base; (iii) our collaborative focus with ecosystem partners; and (iv) our focus on delivering our multi-product solutions with a goal to enhance the value of Lam's solutions to our customers.

Throughout the 2021 fiscal year, there was an increase in wafer fabrication equipment spending by semiconductor manufacturers, driven by the robust secular demand for semiconductors in a number of markets including high-performance computing, personal computers, and 5G networks. Customer demand was strong, and we continued to increase our production output levels as we operated

under COVID-19-related safety protocols. While we have seen improvements in both our own operations and those of our suppliers, we experienced higher costs of goods sold related to freight and logistics during the year. Risks and uncertainties related to the COVID-19 pandemic remain, which may continue to negatively impact our revenue and gross margin. Over the longer term, we believe that secular demand for semiconductors will continue to drive sustainable growth for our products and services, and that technology inflections in our industry, including 3D device scaling, multiple patterning, process flow, and advanced packaging chip integration, will lead to an increase in the served addressable market for our products and services in the deposition, etch, and clean businesses.

The following table summarizes certain key financial information for the periods indicated below:

	Year Ended			Change		
	June 27, 2021	June 28, 2020	June 30, 2019	FY21 vs. FY20	FY20 vs. FY19	
(in thousands, except per share data and percentages)						
Revenue	\$14,626,150	\$10,044,736	\$9,653,559	\$4,581,414	45.6%	\$391,177
Gross margin	\$ 6,805,306	\$ 4,608,693	\$4,358,459	\$2,196,613	47.7%	\$250,234
Gross margin as a percent of total revenue	46.5%	45.9%	45.1%	0.6%	0.8%	
Total operating expenses	\$ 2,323,283	\$ 1,934,891	\$1,893,727	\$ 388,392	20.1%	\$ 41,164
Net income	\$ 3,908,458	\$ 2,251,753	\$2,191,430	\$1,656,705	73.6%	\$ 60,323
Net income per diluted share	\$ 26.90	\$ 15.10	\$ 13.70	\$ 11.80	78.1%	\$ 1.40
						10.2%

Fiscal year 2021 revenue increased 46% compared to fiscal year 2020, reflecting stronger customer demand for semiconductor equipment. Gross margin as a percentage of revenue increased primarily due to customer and product mix, partially offset by higher costs incurred in freight and logistics as well as start-up expenses for our new Malaysia manufacturing facility. The increase in operating expenses in fiscal year 2021 compared to fiscal year 2020 was mainly driven by higher employee-related costs as a result of increased headcount, outsourcing services, deferred compensation plan-related costs, and supplies, partially offset by lower travel expenses and miscellaneous costs.

Fiscal year 2020 revenue increased 4% compared to fiscal year 2019, reflecting stronger customer demand for semiconductor equipment. Gross margin as a percentage of revenue increased primarily due to customer and product mix as well as lower amortization expense related to intangibles acquired through business combinations, partially offset by lower factory and field utilization. The increase in operating expenses in fiscal year 2020 compared to fiscal year 2019 was mainly driven by higher employee-related costs as a result of increased headcount and outsourcing services, partially offset by lower travel expense, miscellaneous costs and restructuring charges.

Our cash and cash equivalents, investments, and restricted cash and investments balances totaled approximately \$6.0 billion as of June 27, 2021, compared to \$7.0 billion as of June 28, 2020. Cash flow provided from operating activities was \$3.6 billion for fiscal year 2021 compared to \$2.1 billion for fiscal year 2020. Cash flow provided from operating activities in fiscal year 2021 was primarily used for \$2.7 billion in treasury stock purchases, including net share settlement on employee stock-based compensation; \$862 million of principal payments on debt instruments; \$727 million in dividends paid to our stockholders; and \$349 million of capital expenditures. These cash outflows were partially offset by \$122 million of treasury stock reissuance and Common Stock issuance resulting from our employee equity-based compensation programs.

### Results of Operations

#### Revenue

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
Revenue (in millions)	\$14,626	\$10,045	\$9,654
China	35%	31%	22%
Korea	27%	24%	23%
Taiwan	14%	19%	17%
Japan	9%	9%	20%
United States	6%	8%	8%
Southeast Asia	6%	6%	6%
Europe	3%	3%	4%

Revenue increased in fiscal year 2021 compared to fiscal years 2020 and 2019, primarily due to the increased investment by our customers in semiconductor capital equipment as well as higher revenue from our Customer Support Business Group for spares,

services, upgrades and mature node equipment. The overall Asia region continued to account for a majority of our revenues as a substantial amount of the worldwide capacity investments for semiconductor manufacturing continued to occur in this region.

The deferred revenue balance was \$1.1 billion as of June 27, 2021 compared to \$537 million as of June 28, 2020, driven by increases in volume purchases for our systems, customer down payments for future tool deliveries, and additional deferrals related to tools pending full delivery and future servicing of our existing installed base.

The following table presents our revenue disaggregated between system and customer support-related revenue:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
(in thousands)			
Systems Revenue	\$ 9,764,845	\$ 6,625,130	\$ 6,451,104
Customer support-related revenue and other	4,861,305	3,419,606	3,202,455
	<u>\$14,626,150</u>	<u>\$10,044,736</u>	<u>\$9,653,559</u>

Please refer to Note 4: Revenue of our Consolidated Financial Statements in Part II, Item 8 of this 2021 Form 10-K for additional information regarding the composition of the two categories into which revenue has been disaggregated.

The percentage of leading- and non-leading-edge equipment and upgrade revenue to each of the markets we serve was as follows:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
Memory	61%	58%	70%
Foundry	32%	31%	20%
Logic/integrated device manufacturing	7%	11%	10%

#### Gross Margin

	Year Ended			Change	
	June 27, 2021	June 28, 2020	June 30, 2019	FY21 vs. FY20	FY20 vs. FY19
(in thousands, except percentages)					
Gross margin	\$6,805,306	\$4,608,693	\$4,358,459	\$2,196,613 47.7%	\$250,234 5.7%
Percent of revenue	46.5%	45.9%	45.1%	0.6%	0.8%

The increase in gross margin as a percentage of revenue for fiscal year 2021 compared to fiscal year 2020 was primarily related to customer and product mix, partially offset by increased spending on freight and logistics due in significant part to COVID-19 disruptions, start-up expenses for our Malaysia manufacturing facility, and deferred compensation plan-related costs.

The increase in gross margin as a percentage of revenue for fiscal year 2020 compared to fiscal year 2019 was primarily due to customer and product mix as well as lower amortization expense related to intangibles acquired through business combinations, partially offset by lower factory and field utilization.

## Research and Development

	Year Ended			Change			
	June 27, 2021	June 28, 2020	June 30, 2019	FY21 vs. FY20	FY20 vs. FY19		
	(in thousands, except percentages)						
Research & development	\$1,493,408	\$1,252,412	\$1,191,320	\$240,996	19.2%	\$61,092	5.1%
Percent of revenue	10.2%	12.5%	12.3%	(2.3)%		0.2%	

We continued to make significant R&D investments focused on leading-edge deposition, etch, clean, and other semiconductor manufacturing processes. The increase in R&D expense during fiscal year 2021 compared to fiscal year 2020 was mainly driven by an increase of \$137 million in employee-related costs due in part to increased headcount, \$49 million in outside service costs, \$32 million in deferred compensation plan-related costs, and \$27 million in spending for supplies.

The increase in R&D expense during fiscal year 2020 compared to fiscal year 2019 was mainly driven by an increase of \$50 million in employee-related costs due to increased headcount, \$19 million in outsourcing service costs, and \$10 million in spending for supplies, partially offset by a decrease of \$7 million in travel expense and \$5 million in restructuring charges.

## Selling, General, and Administrative

	Year Ended			Change			
	June 27, 2021	June 28, 2020	June 30, 2019	FY21 vs. FY20	FY20 vs. FY19		
	(in thousands, except percentages)						
Selling, general, and administrative ("SG&A")	\$829,875	\$682,479	\$702,407	\$147,396	21.6%	\$19,928	(2.8)%
Percent of revenue	5.7%	6.8%	7.3%	(1.1)%		0.5%	

The increase in SG&A expense during fiscal year 2021 compared to fiscal year 2020 was primarily due to a \$97 million increase in employee-related costs due in part to increased headcount, \$37 million in outside service costs, and \$21 million in deferred compensation plan-related costs, partially offset by a \$9 million decrease in travel and entertainment costs.

The decrease in SG&A expense during fiscal year 2020 compared to fiscal year 2019 was primarily due to a \$17 million decrease in spending for customer-related sales costs, a \$9 million decrease in spending for supplies, a \$9 million decrease in restructuring charges, and a \$6 million decrease in spending for travel and entertainment, partially offset by an increase of \$25 million in spending for rent, repair and utilities.

## Other Expense, Net

Other expense, net, consisted of the following:

	Year Ended			Change			
	June 27, 2021	June 28, 2020	June 30, 2019	FY21 vs. FY20	FY20 vs. FY19		
	(in thousands, except percentages)						
Interest income	\$ 19,687	\$ 85,433	\$ 98,771	\$ (65,746)	(77.0)%	\$ (13,338)	(13.5)%
Interest expense	(208,597)	(177,440)	(117,263)	\$ (31,157)	17.6%	\$ (60,177)	51.3%
Gains on deferred compensation plan related assets, net	61,838	5,999	10,464	\$ 55,839	930.8%	\$ (4,465)	(42.7)%
Foreign exchange (losses) gains, net	(6,962)	(3,317)	826	\$ (3,645)	109.9%	\$ (4,143)	(501.6)%
Other, net	22,815	(9,499)	(10,959)	\$ 32,314	(340.2)%	\$ 1,460	(13.3)%
	<u>\$ (111,219)</u>	<u>\$ (98,824)</u>	<u>\$ (18,161)</u>	<u>\$ (12,395)</u>	<u>12.5%</u>	<u>\$ (80,663)</u>	<u>444.2%</u>

Interest income decreased in fiscal year 2021 compared to fiscal year 2020 as a result of lower yield. Interest income decreased in fiscal year 2020 compared to fiscal year 2019 as a result of lower yield, offset by a higher cash balance.

Interest expense increased in fiscal year 2021 compared to fiscal year 2020 primarily due to the full-year impact of the issuance of the \$2.0 billion senior notes in fiscal year 2020. Interest expense increased in fiscal year 2020 compared to fiscal year 2019 primarily due to the full-year impact of the issuance of the \$2.5 billion of senior notes in fiscal year 2019 and the issuance of \$2.0 billion senior notes in fiscal year 2020.

Gains on deferred compensation plan related assets in the periods presented were driven by an improvement in the fair market value of the underlying funds.

The gains in other, net for the fiscal year 2021 compared to fiscal years 2020 and 2019 were primarily driven by private equity investments.

#### Income Tax Expense

Our provision for income taxes and effective tax rate for the periods indicated were as follows:

	Year Ended			Change		
	June 27, 2021	June 28, 2020	June 30, 2019	FY21 vs. FY20	FY20 vs. FY19	
(in thousands, except percentages)						
Income tax expense	\$462,346	\$323,225	\$255,141	\$139,121	43.0%	\$68,084 26.7%
Effective tax rate	10.6%	12.6%	10.4%	(2.0)%		2.2%

The decrease in the effective tax rate in fiscal year 2021 as compared to fiscal year 2020 was primarily due to a cumulative income tax benefit reversal due to a court ruling in fiscal year 2020, as outlined below.

The increase in the effective tax rate in fiscal year 2020 as compared to fiscal year 2019 was primarily due to a cumulative income tax benefit reversal due to a court ruling in fiscal year 2020, as outlined below.

In November 2019, the U.S. Court of Appeals for the Ninth Circuit (“Ninth Circuit”) rejected the en banc appeal petitioned by Altera Corporation (“Altera”) in July 2019. In that quarter, we evaluated the impact of the decision and viewed the denial as an indication that Altera’s position of excluding stock-based compensation expense in an intercompany cost-sharing arrangement was unlikely to be sustained upon further litigation. As a result, we reversed \$75 million of net tax assets associated with stock-based compensation benefits related to previous years in the Condensed Consolidated Financial Statements in the three months ended December 29, 2019 and we no longer reflected a net tax benefit within our financial statements related to excluding stock-based compensation from our intercompany cost-sharing arrangement. In February 2020, Altera petitioned the Supreme Court of the United States (“SCOTUS”) to hear their case. In June 2020, the SCOTUS denied the petition.

International revenues account for a significant portion of our total revenues, such that a material portion of our pre-tax income is earned and taxed outside the United States. International pre-tax income is taxable in the United States at a lower effective tax rate than the federal statutory tax rate. Please refer to Note 7 of our Consolidated Financial Statements in Part II, Item 8 of this 2021 Form 10-K.

#### Deferred Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. Our gross deferred tax assets were \$736 million and \$575 million at the end of fiscal years 2021 and 2020, respectively. These gross deferred tax assets were offset by gross deferred tax liabilities of \$152 million and \$196 million and a valuation allowance of \$277 million and \$245 million at the end of fiscal years 2021 and 2020, respectively. The change in gross deferred tax assets, gross deferred tax liabilities, and valuation allowance between fiscal year 2021 and 2020 is primarily due to increases in gross deferred tax assets for outside basis differences of foreign subsidiaries, allowances and reserves, and tax credits, and decreases in gross deferred tax liabilities for convertible debt.

As of our fiscal year ended June 27, 2021, we continue to record a valuation allowance to offset the entire California deferred tax asset balance due to the single sales factor apportionment resulting in lower taxable income in California. The valuation allowances were \$277 million and \$245 million at the end of fiscal years 2021 and 2020, respectively.

We evaluate if the deferred tax assets are realizable on a quarterly basis and will continue to assess the need for changes in valuation allowances, if any.

## *Uncertain Tax Positions*

We re-evaluate uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Any change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

## *Critical Accounting Policies and Estimates*

A critical accounting policy is defined as one that has both a material impact on our financial condition and results of operations and requires us to make difficult, complex and/or subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make certain judgments, estimates and assumptions that could affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and assumptions on historical experience and on various other assumptions we believe to be applicable and evaluate them on an ongoing basis to ensure they remain reasonable under current conditions. Actual results could differ significantly from those estimates, which could have a material impact on our business, results of operations, and financial condition. Our critical accounting estimates include:

- the recognition and valuation of revenue from arrangements with multiple performance obligations which impacts revenue;
- the valuation of inventory, which impacts gross margin;
- the valuation of warranty reserves, which impacts gross margin;
- the recognition and measurement of current and deferred income taxes, including the measurement of uncertain tax positions, which impact our provision for income tax expenses; and
- the valuation and recoverability of long-lived assets, which impacts gross margin and operating expenses when we record asset impairments or accelerate their depreciation or amortization.

We believe that the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements regarding the critical accounting estimates indicated above. See Note 2, "Summary of Significant Accounting Policies," of our Consolidated Financial Statements in Part II, Item 8 of this 2021 Form 10-K for additional information regarding our accounting policies.

*Revenue Recognition:* We recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when or as we satisfy a performance obligation, as further described below.

*Identify the contract with a customer.* We generally consider documentation of terms with an approved purchase order as a customer contract, provided that collection is considered probable, which is assessed based on the creditworthiness of the customer as determined by credit checks, payment histories, and/or other circumstances.

*Identify the performance obligations in the contract.* Performance obligations include sales of systems, spare parts, and services. In addition, our customer contracts contain provisions for installation and training services which have been deemed immaterial in the context of the contract.

*Determine the transaction price.* The transaction price for our contracts with customers consists of both fixed and variable consideration provided it is probable that a significant reversal of revenue will not occur when the uncertainty related to variable consideration is resolved. Fixed consideration includes amounts to be contractually billed to the customer while variable consideration includes estimates for discounts and credits for future usage which are based on contractual terms outlined in volume purchase agreements and other factors known at the time. We generally invoice customers at shipment and for professional services either as provided or upon meeting certain milestones. Customer invoices are generally due within 30 to 90 days after issuance. Our contracts with customers typically do not include significant financing components as the period between the transfer of performance obligations and timing of payment are generally within one year.

*Allocate the transaction price to the performance obligations in the contract.* For contracts that contain multiple performance obligations, we allocate the transaction price to the performance obligations in the contract on a relative standalone selling price basis. Standalone selling prices are based on multiple factors including, but not limited to historical discounting trends for products and services and pricing practices in different geographies.

*Recognize revenue when or as we satisfy a performance obligation.* Revenue for systems and spares are recognized at a point in time, which is generally upon shipment or delivery. Revenue from services is recognized over time as services are completed or ratably over the contractual period of generally one year or less.

***Inventory Valuation:*** Our policy is to assess the valuation of all inventories including manufacturing raw materials, work-in-process, finished goods, and spare parts in each reporting period. Obsolete inventory or inventory in excess of management's estimated usage requirement is written down to its estimated net realizable value if less than cost. Estimates of market value include but are not limited to management's forecasts related to our future manufacturing schedules, customer demand, technological and/or market obsolescence, general semiconductor market conditions, and possible alternative uses. If future customer demand or market conditions are less favorable than our projections, additional inventory write-downs may be required and would be reflected in cost of goods sold in the period in which the revision is made.

***Warranty:*** We record a provision for estimated warranty expenses to cost of sales for each system when we recognize revenue. We periodically monitor the performance and cost of warranty activities, if actual costs incurred are different than our estimates, we may recognize adjustments to provisions in the period in which those differences arise or are identified. We do not maintain general or unspecified reserves; all warranty reserves are related to specific systems.

***Income Taxes:*** Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Realization of our net deferred tax assets is dependent on future taxable income. We believe it is more likely than not that such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time. In the event that we determine that we will not be able to realize all or part of our net deferred tax assets, an adjustment will be charged to earnings in the period such determination is made. Likewise, if we later determine that it is more likely than not that the deferred tax assets will be realized, then the previously provided valuation allowance will be reversed.

We recognize the benefit from a tax position only if it is more likely than not that the position will be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to uncertain tax positions as a component of income tax expense.

***Long-lived Assets:*** We review goodwill at least annually for impairment during the fourth quarter of each fiscal year and if certain events or indicators of impairment occur between annual impairment tests. The process of evaluating the potential impairment of goodwill requires significant judgment. When reviewing goodwill for impairment, we first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In performing a qualitative assessment, we consider business conditions and other factors including, but not limited to (i) adverse industry or economic trends, (ii) restructuring actions and lower projections that may impact future operating results, (iii) sustained decline in share price, and (iv) overall financial performance and other events affecting the reporting units. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a quantitative impairment test is performed by estimating the fair value of the reporting unit and comparing it to its carrying value, including goodwill allocated to that reporting unit.

We determine the fair value of our reporting units by using an income approach. Under the income approach, we determine fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn.

In estimating the fair value of a reporting unit, we make estimates and judgments about the future cash flows of our reporting units, including estimated growth rates and assumptions about the economic environment. Although our cash flow forecasts are based on assumptions that are consistent with the plans and estimates we are using to manage the underlying businesses, there is significant judgment involved in determining the cash flows attributable to a reporting unit. In addition, we make certain judgments about allocating shared assets to the estimated balance sheets of our reporting units. Changes in judgment on these assumptions and estimates could result in a goodwill impairment charge.

If after completing the quantitative assessment the carrying value of a reporting unit exceeds its fair value, we would record an impairment charge equal to the excess of the carrying value of the reporting unit over its fair value, up to the amount of the goodwill assigned to the reporting unit.

For other long-lived assets, we review them whenever events or changes in circumstances indicate the carrying value of an asset or asset group may not be recoverable. If such indicators are present, we determine whether the sum of the estimated undiscounted cash flows attributable to the assets is less than their carrying value. If the sum is less, we recognize an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. Fair value is determined by discounted future cash flows, appraisals or other methods. We recognize an impairment charge to the extent the present value of anticipated net cash flows attributable to the asset is less than the asset's carrying value. The fair value of the asset then becomes the asset's new carrying value, which we depreciate over the remaining estimated useful life of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value. In addition, for fully amortized intangible assets, we de-recognize the gross cost and accumulated amortization in the period we determine the intangible asset no longer enhances future cash flows.

## Recent Accounting Pronouncements

For a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see Note 3, "Recent Accounting Pronouncements," of our Consolidated Financial Statements, included in Part II, Item 8 of this 2021 Form 10-K.

### Liquidity and Capital Resources

Total gross cash, cash equivalents, investments, and restricted cash and investments balances were \$6.0 billion at the end of fiscal year 2021 compared to \$7.0 billion at the end of fiscal year 2020. This decrease was primarily due to Common Stock repurchases in connection with our stock repurchase program, dividends paid, and principal payments on long-term debt, partially offset by cash provided by operating activities.

#### Cash Flow from Operating Activities

Net cash provided by operating activities of \$3.6 billion during fiscal year 2021 consisted of (in thousands):

Net income	\$3,908,458
Non-cash charges:	
Depreciation and amortization	307,151
Deferred income taxes	(151,477)
Equity-based compensation expense	220,164
Changes in operating asset and liability accounts	(678,741)
Other	(17,392)
	\$3,588,163

Significant changes in operating asset and liability accounts, net of foreign exchange impact, included the following uses of cash: increases in accounts receivable of \$929 million, inventories of \$793 million, and prepaid expenses and other assets of \$59 million; partially offset by the following sources of cash: increases in deferred profit of \$508 million, accrued expenses and other liabilities of \$409 million, and accounts payable of \$185 million.

#### Cash Flow from Investing Activities

Net cash provided by investing activities during fiscal year 2021 was \$73 million, primarily consisting of net sales/maturities of available for sale securities of \$465 million, partially offset by capital expenditures of \$349 million.

#### Cash Flow from Financing Activities

Net cash used for financing activities during fiscal year 2021 was \$4.2 billion, primarily consisting of \$2.7 billion in Common Stock repurchases, including net share settlement on employee stock-based compensation; \$862 million of principal payments on debt instruments; and \$727 million of dividends paid; partially offset by \$122 million of stock issuance and treasury stock reissuances associated with our employee stock-based compensation plans.

### Liquidity

Given that the semiconductor industry is highly competitive and has historically experienced rapid changes in demand, we believe that maintaining sufficient liquidity reserves is important to support sustaining levels of investment in R&D and capital infrastructure. Anticipated cash flows from operations based on our current business outlook, combined with our current levels of cash, cash equivalents, and short-term investments as of June 27, 2021, are expected to be sufficient to support our anticipated levels of operations, investments, debt service requirements, capital expenditures, capital redistributions, and dividends through at least the next twelve months. However, uncertainty in the global economy and the semiconductor industry, as well as disruptions in credit markets, have in the past, and could in the future, impact customer demand for our products, as well as our ability to manage normal commercial relationships with our customers, suppliers, and creditors.

In the longer term, liquidity will depend to a great extent on our future revenues and our ability to appropriately manage our costs based on demand for our products and services. While we have substantial cash balances, we may require additional funding and need or choose to raise the required funds through borrowings or public or private sales of debt or equity securities. We believe that, if necessary, we will be able to access the capital markets on terms and in amounts adequate to meet our objectives. However, the ongoing COVID-19 pandemic has in the past caused disruption in the capital markets, and were it to do the same in the future, that could make any financing more challenging, and there can be no assurance that we will be able to obtain such financing on commercially reasonable terms or at all.

## Off-Balance Sheet Arrangements and Contractual Obligations

We have certain obligations to make future payments under various contracts, some of which are recorded on our balance sheet and some of which are not. Obligations that are recorded on our balance sheet in accordance with GAAP include our long-term debt, operating leases and finance leases which are outlined in the following table. Our off-balance sheet arrangements are presented as purchase obligations in the table. Our contractual obligations and commitments as of June 27, 2021, relating to these agreements and our guarantees are included in the following table based on their contractual maturity date.

The amounts in the table below exclude \$527 million of net liabilities related to uncertain tax positions as we are unable to reasonably estimate the ultimate amount or time of settlement. See Note 7 of our Consolidated Financial Statements in Part II, Item 8 of this 2021 Form 10-K for further discussion.

	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
(in thousands)					
Operating leases	\$ 173,150	\$ 48,487	\$ 55,530	\$ 30,505	\$ 38,628
Financing leases	42,648	11,870	12,320	10,214	8,244
Purchase obligations	818,186	660,201	114,046	40,724	3,215
Long-term debt and interest expense	7,903,936	175,125	350,250	1,586,347	5,792,214
One-time transition tax on accumulated unrepatriated foreign earnings <sup>(1)</sup>	659,954	69,469	199,723	390,762	—
Other long-term liabilities <sup>(2)</sup>	280,342	11,704	42,079	9,453	217,106
<b>Total</b>	<b>\$9,878,216</b>	<b>\$976,856</b>	<b>\$773,948</b>	<b>\$2,068,005</b>	<b>\$6,059,407</b>

- (1) We may choose to apply existing tax credits, thereby reducing the actual cash payment.
- (2) Certain tax-related liabilities and post-retirement benefits classified as other non-current liabilities on the Consolidated Balance Sheet are included in the "More than 5 Years" category due to the uncertainty in the timing and amount of future payments. Additionally, the balance excludes contractual obligations recorded in our Consolidated Balance Sheet as current liabilities and the long-term portion of operating leases.

### Operating Leases

We lease most of our administrative and regional sales/service offices as well as certain equipment under non-cancelable operating leases. Certain of our facility leases for buildings located in Fremont, California; Tualatin, Oregon; and certain other facility leases provide us with an option to extend the leases for additional periods or to purchase the facilities. Certain of our facility leases provide for periodic rent increases based on the general rate of inflation.

### Financing Leases

Financing leases reflect building and office equipment lease obligations. The amounts in the table above include the interest portion of payment obligations. Certain of our facility leases for buildings located in Fremont and Livermore, California provide us with an option to extend the leases for additional periods or to purchase the facilities. Certain of our facility leases provide for periodic rent increases based on the general rate of inflation. In addition to amounts included in the table above, we have guaranteed residual values for certain of our Fremont and Livermore facility leases of up to \$298 million. See Note 15 to our Consolidated Financial Statements in Part II, Item 8 of this 2021 Form 10-K for further discussion.

### Purchase Obligations

Purchase obligations consist of significant contractual obligations either on an annual basis or over multi-year periods related to our outsourcing activities or other material commitments, including vendor-consigned inventories. The contractual cash obligations and commitments table presented above contains our minimum obligations at June 27, 2021, under these arrangements and others. For obligations with cancellation provisions, the amounts included in the preceding table were limited to the non-cancelable portion of the agreement terms or the minimum cancellation fee. Actual expenditures will vary based on the volume of transactions and length of contractual service provided. On April 1, 2021 we entered into a \$1.4 billion five-year electrostatic chuck supply contract (the "Supplier Contract"), under which we are obligated, in certain circumstances, to a minimum purchase penalty obligation not to exceed \$180 million. Due to the uncertainty in the timing and amount of future payments, the cash obligations and commitments table presented above excludes the minimum purchase obligation under the Supplier Contract.

### Capital Expenditure Requirements

We are in the process of expanding our global production footprint, with expansion of our Ohio manufacturing facility as well as construction of a manufacturing facility in Malaysia and a technology center in Korea. Anticipated capital expenditures associated with

these projects for buildings and equipment for fiscal year 2022 are expected to be approximately \$201 million. These capital expenditures will be funded through existing cash and cash equivalents, investments, and cash generated from operations.

#### Income Taxes

During the December 2017 quarter, a one-time transition tax on accumulated unrepatriated foreign earnings, estimated at \$991 million, was recognized associated with the December 2017 U.S. tax reform. In accordance with SAB 118, we finalized the amount of the transition tax during the period ended December 23, 2018. The final amount was \$868 million. We elected to pay the one-time transition tax over a period of eight years with 8% of the transition tax to be paid each September 15 for years 2018 through 2022, and 15%, 20%, and 25%, respectively, to be paid each September 15 for years 2023 through 2025.

#### Long-Term Debt

On May 5, 2020, we completed a public offering of \$750 million aggregate principal amount of the Company's Senior Notes due June 15, 2030 (the "2030 Notes"), \$750 million aggregate principal amount of the Company's Senior Notes due June 15, 2050 (the "2050 Notes"), and \$500 million aggregate principal amount of the Company's Senior Notes due June 15, 2060 (the "2060 Notes"). We pay interest at an annual rate of 1.90%, 2.875%, and 3.125%, on the 2030, 2050, and 2060 Notes, respectively, on a semi-annual basis on June 15 and December 15 of each year.

On March 4, 2019, we completed a public offering of \$750 million aggregate principal amount of the Company's Senior Notes due March 15, 2026 (the "2026 Notes"), \$1 billion aggregate principal amount of the Company's Senior Notes due March 15, 2029 (the "2029 Notes"), and \$750 million aggregate principal amount of the Company's Senior Notes due March 15, 2049 (the "2049 Notes"). We pay interest at an annual rate of 3.75%, 4.00%, and 4.875%, respectively on the 2026, 2029 and 2049 Notes, on a semi-annual basis on March 15 and September 15 of each year.

On June 7, 2016, we completed a public offering of \$800 million aggregate principal amount of Senior Notes due June 15, 2021, (the "2021 Notes"). During the year ended June 27, 2021, \$800 million principal value of 2021 Notes were settled upon maturity.

On March 12, 2015, we completed a public offering of \$500 million aggregate principal amount of Senior Notes due March 15, 2025 (the "2025 Notes"). We pay interest at an annual rate of 3.80% on the 2025 Notes, on a semi-annual basis on March 15 and September 15 of each year.

We may redeem the 2025, 2026, 2029, 2030, 2049, 2050, and 2060 Notes (collectively the "Senior Notes") at a redemption price equal to 100% of the principal amount of such series ("par"), plus a "make whole" premium as described in the indenture in respect to the Senior Notes and accrued and unpaid interest before December 15, 2024 for the 2025 Notes, before January 15, 2026 for the 2026 Notes, before December 15, 2028 for the 2029 Notes, before March 15, 2030 for the 2030 Notes, before September 15, 2048 for the 2049 Notes, before December 15, 2049 for the 2050 Notes, and before December 15, 2059 for the 2060 Notes. We may redeem the Senior Notes at par, plus accrued and unpaid interest at any time on or after December 24, 2024 for the 2025 Notes, on or after January 15, 2026 for the 2026 Notes, on or after December 15, 2028 for the 2029 Notes, on or after March 15, 2030 for the 2030 Notes, on or after September 15, 2048 for the 2049 Notes, on or after December 15, 2049 for the 2050 Notes, and on or after December 15, 2059 for the 2060 Notes. In addition, upon the occurrence of certain events, as described in the indenture, we will be required to make an offer to repurchase the Senior Notes at a price equal to 101% of the principal amount of the respective note, plus accrued and unpaid interest.

In June 2012, with the acquisition of Novellus, we assumed \$700 million in aggregate principal amount of 2.625% Convertible Senior Notes due May 2041. On May 21, 2021, the 2041 Notes then outstanding were redeemed pursuant to Section 6.01 of the underlying indenture at a price equal to outstanding principal plus accrued and unpaid interest.

During fiscal year 2021, 2020, and 2019, we made \$859 million, \$668 million, and \$117 million, respectively, in principal payments on long-term debt and finance/capital leases.

#### Revolving Credit Arrangements

On March 12, 2014, the Company established an unsecured Credit Agreement. This agreement was amended on November 10, 2015 (the "Amended and Restated Credit Agreement"), October 13, 2017 (the "2nd Amendment"), February 25, 2019 (the "3rd Amendment"), and June 17, 2021 (the "Second Amended and Restated Credit Agreement"). Among other things, the Second Amended and Restated Credit Agreement provides for a \$250 million increase in the Company's revolving credit facility, from \$1.25 billion to \$1.50 billion with a syndicate of lenders, along with an expansion option that will allow the Company, subject to certain requirements, to request an increase in the facility of up to an additional \$600 million, for a potential total commitment of \$2.10 billion. The facility matures on June 17, 2026.

Interest on amounts borrowed under the credit facility is, at our option, based on (1) a base rate, defined as the greatest of (a) prime rate, (b) Federal Funds rate plus 0.5%, or (c) one-month London Interbank Offered Rate ("LIBOR") plus 1.0%, plus a spread of 0.00%

to 0.30%, or (2) a LIBOR rate plus a spread of 0.805% to 1.30%, in each case plus a facility fee, with such spread and facility fee determined based on the rating of our non-credit enhanced, senior unsecured long-term debt. Such spreads and such facility fees are further subject to sustainability adjustments as described in the Second Amended and Restated Credit Agreement, in each case based on the Company's performance of certain energy savings and health and safety standards metrics. Principal and any accrued and unpaid interest is due and payable upon maturity. Additionally, we will pay the lenders a quarterly commitment fee that varies based on our credit rating. The Second Amended and Restated Credit Agreement incorporates provisions for the replacement of LIBOR or other reference rates with alternative reference rates under certain circumstances, including when, or if, such reference rates cease to be available. The Second Amended and Restated Credit Agreement contains affirmative covenants, negative covenants, financial covenants, and events of default. As of June 27, 2021, we had no borrowings outstanding under the Second Amended and Restated Credit Agreement and were in compliance with all financial covenants.

#### Commercial Paper Program

On November 13, 2017, we established a commercial paper program (the "CP Program") under which we may issue unsecured commercial paper notes on a private placement basis up to a maximum aggregate amount outstanding at any time of \$1.25 billion. Individual maturities may vary but cannot not exceed 397 days from the date of issue. In July 2021, we amended the CP Program size to a maximum aggregate amount outstanding at any time of \$1.5 billion. The net proceeds from the CP Program will be used for general corporate purposes, including repurchases of our Common Stock from time to time under our stock repurchase program. If at any time, funds are not available under favorable terms under the CP Program, we may utilize the Amended Credit Agreement for funding. Amounts available under the CP Program may be re-borrowed. The CP Program is backstopped by our Revolving Credit Arrangement. As of June 27, 2021, we had no outstanding borrowings under the CP Program.

#### Other Guarantees

We have issued certain indemnifications to our lessors for taxes and general liability under some of our agreements. We have entered into certain insurance contracts that may limit our exposure to such indemnifications. As of June 27, 2021, we had not recorded any liability on our Consolidated Financial Statements in connection with these indemnifications, as we do not believe, based on information available, that it is probable that we will pay any material amounts under these guarantees.

Generally, we indemnify, under pre-determined conditions and limitations, our customers for infringement of third-party intellectual property rights by our products or services. We seek to limit our liability for such indemnity to an amount not to exceed the sales price of the products or services subject to our indemnification obligations. We do not believe, based on information available, that it is probable that we will pay any material amounts under these guarantees.

We provide guarantees and standby letters of credit to certain parties as required for certain transactions initiated during the ordinary course of business. As of June 27, 2021, the maximum potential amount of future payments that we could be required to make under these arrangements and letters of credit was \$74 million. We do not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid.

We have entered into indemnification agreements with our officers and directors, consistent with our Bylaws and Certificate of Incorporation; and under local law, we may be required to provide indemnification to our employees for actions within the scope of their employment. Although we maintain insurance contracts that cover some of the potential liability associated with these indemnification agreements, there is no guarantee that all such liabilities will be covered. We do not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under such indemnification agreements or statutory obligations.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

#### *Investments*

We maintain an investment portfolio of various holdings, types, and maturities. As of June 27, 2021, our mutual funds are classified as trading securities. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Any material differences between the cost and fair value of trading securities is recognized as other expense, net in our Consolidated Statement of Operations. All of our other investments are classified as available-for-sale and consequently are recorded in the Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of tax.

#### *Interest Rate Risk*

##### Fixed-Income Securities

Our investments in various interest-earning securities carry a degree of market risk for changes in interest rates. At any time, a sharp rise in interest rates could have a material adverse impact on the fair value of our fixed-income investment portfolio. Conversely, declines

in interest rates could have a material adverse impact on interest income for our investment portfolio. We target a capital preservation-focused investment policy, which focuses on the safety and preservation of our capital by limiting default risk, market risk, reinvestment risk, and concentration risk. The following table presents the hypothetical fair values of fixed-income securities that would result from selected potential decreases and increases in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points ("BPS"), 100 BPS, and 150 BPS with a minimum interest rate of zero BPS.

The hypothetical fair values as of June 27, 2021, were as follows:

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of June 27, 2021 —%	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
	(150 BPS)	(100 BPS)	(50 BPS)		50 BPS	100 BPS	150 BPS
(in thousands)							
U.S. Treasury and agencies	\$ 204,944	\$ 204,944	\$ 204,944	\$ 204,792	\$ 204,336	\$ 203,880	\$ 203,424
Government-sponsored enterprises	3,518	3,518	3,518	3,505	3,477	3,449	3,421
Foreign government bonds	33,093	33,093	33,093	33,012	32,905	32,798	32,691
Corporate notes and bonds	1,049,766	1,049,722	1,049,230	1,045,098	1,039,800	1,034,503	1,029,206
Mortgage backed securities – residential	5,777	5,753	5,728	5,677	5,619	5,562	5,505
Mortgage backed securities – commercial	18,977	18,973	18,918	18,788	18,643	18,498	18,353
Total	<u>\$1,316,075</u>	<u>\$1,316,003</u>	<u>\$1,315,431</u>	<u>\$1,310,872</u>	<u>\$1,304,780</u>	<u>\$1,298,690</u>	<u>\$1,292,600</u>

We mitigate default risk by investing in high credit quality securities and by positioning our portfolio to respond appropriately to a significant reduction in a credit rating of any investment issuer or guarantor. The portfolio includes only marketable securities with active secondary or resale markets to achieve portfolio liquidity and maintain a prudent amount of diversification.

#### Long-Term Debt

As of June 27, 2021, we had \$5.0 billion in principal amount of fixed-rate long-term debt outstanding, with a fair value of \$5.6 billion. The fair value of our Notes is subject to interest rate risk, market risk, and other factors due to the convertible feature, as applicable. Generally, the fair value of Notes will increase as interest rates fall and decrease as interest rates rise. The interest and market value changes affect the fair value of our Notes but do not impact our financial position, cash flows, or results of operations due to the fixed nature of the debt obligations. We do not carry the Notes at fair value but present the fair value of the principal amount of our Notes for disclosure purposes.

#### Equity Price Risk

##### Publicly Traded Securities

The values of our investments in publicly traded securities, including mutual funds related to our obligations under our deferred compensation plans, are subject to market price risk. The following table presents the hypothetical fair values of our publicly traded securities that would result from potential decreases and increases in the price of each security in the portfolio. Potential fluctuations in the price of each security in the portfolio of plus or minus 10%, 15%, or 25% were selected based on potential near-term changes in those security prices. The hypothetical fair values as of June 27, 2021, were as follows:

	Valuation of Securities Given an X% Decrease in Stock Price			Fair Value as of June 27, 2021 —%	Valuation of Securities Given an X% Increase in Stock Price		
	(25)%	(15)%	(10)%		10%	15%	25%
(in thousands)							
Mutual funds	\$72,128	\$81,745	\$86,554	\$96,171	\$105,788	\$110,597	\$120,214

## Foreign Currency Exchange (“FX”) Risk

We conduct business on a global basis in several major international currencies. As such, we are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our revenues and expenses are denominated in U.S. dollars. However, we are exposed to foreign currency exchange rate fluctuations on non-U.S. dollar transactions or cash flows.

We enter into foreign currency forward contracts to minimize the short-term impact of exchange rate fluctuations on certain foreign currency denominated monetary assets and liabilities, primarily cash, third-party accounts receivable, accounts payable, and intercompany receivables and payables. In addition, we hedge certain anticipated foreign currency cash flows.

To protect against adverse movements in value of anticipated non-U.S. dollar transactions or cash flows, we enter into foreign currency forward and option contracts that generally expire within 12 months and no later than 24 months. The option contracts include collars, an option strategy that is comprised of a combination of a purchased put option and a written call option with the same expiration dates and notional amounts but with different strike prices. These foreign currency hedge contracts are designated as cash flow hedges and are carried on our balance sheet at fair value, with the effective portion of the contracts' gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in earnings in the same period the hedged revenue and/or expense is recognized. We also enter into foreign currency forward contracts to hedge the gains and losses generated by the remeasurement of certain non-U.S.-dollar denominated monetary assets and liabilities, primarily cash, third-party accounts receivable, accounts payable, and intercompany receivables and payables. The change in fair value of these balance sheet hedge contracts is recorded into earnings as a component of other expense, net, and offsets the change in fair value of the foreign currency denominated monetary assets and liabilities also recorded in other expense, net, assuming the hedge contract fully covers the hedged items. The notional amount and unrealized gain of our outstanding forward and option contracts that are designated as cash flow hedges, as of June 27, 2021, are shown in the table below. This table also shows the change in fair value of these cash flow hedges assuming a hypothetical foreign currency exchange rate movement of plus or minus 10 percent and plus or minus 15 percent.

	Notional Amount	Unrealized FX Gain/(Loss) June 27, 2021	Valuation of FX Contracts Given an X% Increase (+)/Decrease(-) in Each	
			= +/- (10%)	= +/- (15%)
(in thousands)				
<b>Forward contracts</b>				
Sell	Japanese yen	\$560,338	\$16,432	\$54,268
Buy	Euro	146,748	(383)	14,583
Buy	Korean won	145,167	(1,518)	14,363
Buy	Indian rupee	55,364	657	5,741
Buy	Malaysian ringgit	41,911	(39)	4,202
			<u>\$15,149</u>	<u>\$93,157</u>
				<u>\$139,735</u>
<b>Option Contracts</b>				
Buy put	Japanese yen	\$ 35,877	\$ 541	\$ 3,080
Sell call	Japanese yen	38,069	(178)	4
			<u>\$ 363</u>	<u>\$ 3,084</u>
				<u>\$ 4,457</u>

The notional amount and unrealized loss of our outstanding foreign currency forward contracts that are designated as balance sheet hedges, as of June 27, 2021, are shown in the table below. This table also shows the change in fair value of these balance sheet hedges, assuming a hypothetical foreign currency exchange rate movement of plus or minus 10 percent and plus or minus 15 percent. These changes in fair values would be offset in other expense, net, by corresponding change in fair values of the foreign currency denominated monetary assets and liabilities, assuming the hedge contract fully covers the intercompany and trade receivable balances.

	Notional Amount	Unrealized FX Gain/(Loss) June 27, 2021	Valuation of FX Contracts Given an X% Increase (+)/Decrease(-) in Each	
			= +/- (10%)	= +/- (15%)
(in thousands)				
<b>Forward contracts, balance sheet hedge</b>				
Sell	Korean won	\$220,134	\$ 11	\$22,015
Buy	Swiss francs	79,859	(10)	7,980
Buy	Chinese renminbi	57,768	33	5,789
Buy	Singapore dollar	26,765	1	2,677
Buy	Euro	21,493	(2)	2,148
Buy	British pound	15,086	—	1,509
Buy	Malaysian ringgit	10,553	22	1,056
Sell	Japanese yen	8,746	—	874
Buy	Indian rupee	3,082	2	309
		<u>\$ 57</u>	<u>\$44,357</u>	<u>\$66,536</u>

**Item 8. Financial Statements and Supplementary Data**

## Index to Consolidated Financial Statements

	Page
Consolidated Statements of Operations – Years Ended June 27, 2021, June 28, 2020, and June 30, 2019	40
Consolidated Statements of Comprehensive Income – Years Ended June 27, 2021, June 28, 2020, and June 30, 2019	41
Consolidated Balance Sheets – June 27, 2021, and June 28, 2020	42
Consolidated Statements of Cash Flows – Years Ended June 27, 2021, June 28, 2020, and June 30, 2019	43
Consolidated Statements of Stockholders' Equity – Years Ended June 27, 2021, June 28, 2020, and June 30, 2019	45
Notes to Consolidated Financial Statements	46
Reports of Independent Registered Public Accounting Firm	74

**LAM RESEARCH CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
Revenue	\$14,626,150	\$10,044,736	\$9,653,559
Cost of goods sold	7,820,844	5,436,043	5,295,100
Gross margin	6,805,306	4,608,693	4,358,459
Research and development	1,493,408	1,252,412	1,191,320
Selling, general, and administrative	829,875	682,479	702,407
Total operating expenses	2,323,283	1,934,891	1,893,727
Operating income	4,482,023	2,673,802	2,464,732
Other expense, net	(111,219)	(98,824)	(18,161)
Income before income taxes	4,370,804	2,574,978	2,446,571
Income tax expense	(462,346)	(323,225)	(255,141)
Net income	<u>\$ 3,908,458</u>	<u>\$ 2,251,753</u>	<u>\$2,191,430</u>
Net income per share:			
Basic	<u>\$ 27.22</u>	<u>\$ 15.55</u>	<u>\$ 14.37</u>
Diluted	<u>\$ 26.90</u>	<u>\$ 15.10</u>	<u>\$ 13.70</u>
Number of shares used in per share calculations:			
Basic	<u>143,609</u>	<u>144,814</u>	<u>152,478</u>
Diluted	<u>145,320</u>	<u>149,090</u>	<u>159,915</u>

See Notes to Consolidated Financial Statements

**LAM RESEARCH CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
Net income	\$3,908,458	\$2,251,753	\$2,191,430
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	14,398	(6,441)	(6,648)
Cash flow hedges:			
Net unrealized gains (losses) during the period	22,139	(30,603)	2,461
Net (gains) losses reclassified into net income	(3,468)	2,137	(2,749)
	18,671	(28,466)	(288)
Available-for-sale investments:			
Net unrealized (losses) gains during the period	(4,098)	1,842	3,535
Net losses (gains) reclassified into net income	786	935	(199)
	(3,312)	2,777	3,336
Defined benefit plans, net change in unrealized component	326	1,949	(2,981)
Other comprehensive income (loss), net of tax	30,083	(30,181)	(6,581)
Comprehensive income	<u>\$3,938,541</u>	<u>\$2,221,572</u>	<u>\$2,184,849</u>

See Notes to Consolidated Financial Statements

**LAM RESEARCH CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)

	June 27, 2021	June 28, 2020
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 4,418,263	\$ 4,915,172
Investments	1,310,872	1,795,080
Accounts receivable, less allowance of \$5,255 as of June 27, 2021 and \$5,465 as of June 28, 2020	3,026,430	2,097,099
Inventories	2,689,294	1,900,024
Prepaid expenses and other current assets	207,528	146,160
Total current assets	<u>11,652,387</u>	<u>10,853,535</u>
Property and equipment, net	1,303,479	1,071,499
Restricted cash and investments	252,487	253,911
Goodwill	1,490,134	1,484,436
Intangible assets, net	132,365	168,532
Other assets	1,061,300	727,134
Total assets	<u>\$ 15,892,152</u>	<u>\$ 14,559,047</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Trade accounts payable	\$ 829,710	\$ 592,387
Accrued expenses and other current liabilities	1,719,483	1,272,655
Deferred profit	967,325	457,523
Current portion of long-term debt and finance lease obligations	11,349	839,877
Total current liabilities	<u>3,527,867</u>	<u>3,162,442</u>
Long-term debt and finance lease obligations, less current portion	4,990,333	4,970,848
Income taxes payable	948,037	909,709
Other long-term liabilities	398,727	332,559
Total liabilities	<u>9,864,964</u>	<u>9,375,558</u>
Commitments and contingencies		
Temporary equity, convertible notes	—	10,995
Stockholders' equity:		
Preferred stock, at par value of \$0.001 per share; authorized – 5,000 shares, none outstanding	—	—
Common stock, at par value of \$0.001 per share; authorized 400,000 shares as of June 27, 2021 and June 28, 2020; issued and outstanding 142,501 shares as of June 27, 2021, and 145,331 shares as of June 28, 2020	143	145
Additional paid-in capital	7,052,962	6,695,858
Treasury stock, at cost, 150,766 shares as of June 27, 2021, and 145,432 shares as of June 28, 2020	(15,646,701)	(12,949,889)
Accumulated other comprehensive loss	(64,128)	(94,211)
Retained earnings	14,684,912	11,520,591
Total stockholders' equity	<u>6,027,188</u>	<u>5,172,494</u>
Total liabilities and stockholders' equity	<u>\$ 15,892,152</u>	<u>\$ 14,559,047</u>

See Notes to Consolidated Financial Statements

**LAM RESEARCH CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 3,908,458	\$ 2,251,753	\$ 2,191,430
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	307,151	268,525	309,281
Deferred income taxes	(151,477)	(17,777)	(4,980)
Equity-based compensation expense	220,164	189,197	187,234
Other, net	(17,392)	6,628	1,524
Changes in operating asset and liability accounts:			
Accounts receivable, net of allowance	(928,928)	(641,827)	732,138
Inventories	(792,591)	(411,608)	281,355
Prepaid expenses and other assets	(59,189)	(14,354)	(17,864)
Trade accounts payable	184,615	208,478	(131,472)
Deferred profit	508,008	76,207	(178,074)
Accrued expenses and other liabilities	409,344	211,229	(194,559)
Net cash provided by operating activities	<u>3,588,163</u>	<u>2,126,451</u>	<u>3,176,013</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures and intangible assets	(349,096)	(203,239)	(303,491)
Purchases of available-for-sale securities	(3,389,388)	(2,897,627)	(2,930,049)
Proceeds from maturities of available-for-sale securities	2,381,758	1,647,379	466,539
Proceeds from sales of available-for-sale securities	1,472,152	1,235,248	1,137,302
Other, net	(42,155)	(25,845)	(7,355)
Net cash provided by (used for) investing activities	<u>73,271</u>	<u>(244,084)</u>	<u>(1,637,054)</u>

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from issuance of long-term debt	\$ —	\$ 1,974,651	\$ 2,476,720
Principal payments on long-term debt and finance lease obligations and payments for debt issuance costs	(862,060)	(667,537)	(117,653)
Net (repayment) from commercial paper	—	—	(361,754)
Proceeds from borrowings on revolving credit facility	—	1,250,000	—
Repayment of borrowings on revolving credit facility	—	(1,250,000)	—
Treasury stock purchases	(2,697,704)	(1,369,649)	(3,780,611)
Dividends paid	(726,992)	(656,838)	(678,348)
Reissuances of treasury stock related to employee stock purchase plan	97,764	85,439	77,961
Proceeds from issuance of common stock	24,123	8,084	6,813
Other, net	(2,113)	1,920	(13,208)
Net cash used for financing activities	(4,166,982)	(623,930)	(2,390,080)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	7,215	(2,750)	(4,041)
Net (decrease) increase in cash, cash equivalents and restricted cash	(498,333)	1,255,687	(855,162)
Cash, cash equivalents and restricted cash at beginning of year	5,169,083	3,913,396	4,768,558
Cash, cash equivalents and restricted cash at end of year	<u>\$ 4,670,750</u>	<u>\$ 5,169,083</u>	<u>\$ 3,913,396</u>
<b>Schedule of non-cash transactions</b>			
Accrued payables for stock repurchases	\$ 20,005	\$ 82	\$ 29
Accrued payables for capital expenditures	61,392	37,812	23,185
Dividends payable	185,431	167,129	158,868
Transfers of finished goods inventory to property and equipment	80,252	51,694	54,533
<b>Supplemental disclosures:</b>			
Cash payments for interest	\$ 203,932	\$ 171,889	\$ 76,933
Cash payments for income taxes, net	518,567	222,909	300,268
<b>Reconciliation of cash, cash equivalents, and restricted cash</b>		June 27, 2021	June 28, 2020
Cash and cash equivalents	\$4,418,263	\$4,915,172	\$3,658,219
Restricted cash and cash equivalents	252,487	253,911	255,177
Total cash, cash equivalents, and restricted cash	<u>\$4,670,750</u>	<u>\$5,169,083</u>	<u>\$3,913,396</u>

See Notes to Consolidated Financial Statements

**LAM RESEARCH CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands, except per common share data)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income(Loss)	Retained Earnings	Total
Balance at June 24, 2018	156,892	\$157	\$6,144,425	\$ (7,846,476)	\$(57,449)	\$ 8,261,194	\$ 6,501,851
Issuance of common stock	1,090	1	6,812	—	—	—	6,813
Purchase of treasury stock	(21,059)	(21)	—	(3,780,503)	—	—	(3,780,524)
Reissuance of treasury stock	622	—	53,555	24,406	—	—	77,961
Equity-based compensation expense	—	—	187,234	—	—	—	187,234
Effect of conversion of convertible notes	2,783	3	(11,361)	—	—	—	(11,358)
Exercise of warrants	4,105	4	(12)	—	—	—	(8)
Reclassification from temporary to permanent equity	—	—	28,752	—	—	—	28,752
Adoption of ASU 2014-09	—	—	—	—	—	139,355	139,355
Adoption of ASU 2016-16	—	—	—	—	—	(443)	(443)
Adoption of ASU 2018-02	—	—	—	—	(2,227)	2,227	—
Net income	—	—	—	—	—	2,191,430	2,191,430
Other comprehensive loss	—	—	—	—	(4,354)	—	(4,354)
Cash dividends declared (\$4.40 per common share)	—	—	—	—	—	(662,844)	(662,844)
Balance at June 30, 2019	144,433	144	6,409,405	(11,602,573)	(64,030)	9,930,919	4,673,865
Issuance of common stock	1,288	1	8,083	—	—	—	8,084
Purchase of treasury stock	(5,371)	(5)	—	(1,369,697)	—	—	(1,369,702)
Reissuance of treasury stock	513	1	63,057	22,381	—	—	85,439
Equity-based compensation expense	—	—	189,197	—	—	—	189,197
Effect of conversion of convertible notes	4,468	4	(12,328)	—	—	—	(12,324)
Reclassification from temporary to permanent equity	—	—	38,444	—	—	—	38,444
Adoption of ASU 2016-02	—	—	—	—	—	3,018	3,018
Net income	—	—	—	—	—	2,251,753	2,251,753
Other comprehensive loss	—	—	—	—	(30,181)	—	(30,181)
Cash dividends declared (\$4.60 per common share)	—	—	—	—	—	(665,099)	(665,099)
Balance at June 28, 2020	145,331	145	6,695,858	(12,949,889)	(94,211)	11,520,591	5,172,494
Issuance of common stock	1,089	\$ 1	\$ 24,122	\$ —	\$ —	\$ —	\$ 24,123
Purchase of treasury stock	(5,819)	(5)	—	(2,717,622)	—	—	(2,717,627)
Reissuance of treasury stock	484	—	76,954	20,810	—	—	97,764
Equity-based compensation expense	—	—	220,164	—	—	—	220,164
Effect of conversion of convertible notes	1,416	2	24,869	—	—	—	24,871
Reclassification from temporary to permanent equity	—	—	10,995	—	—	—	10,995
Adoption of ASU 2018-18	—	—	—	—	—	1,157	1,157
Net income	—	—	—	—	—	3,908,458	3,908,458
Other comprehensive income	—	—	—	—	30,083	—	30,083
Cash dividends declared (\$5.20 per common share)	—	—	—	—	—	(745,294)	(745,294)
Balance at June 27, 2021	142,501	\$143	\$7,052,962	\$ (15,646,701)	\$(64,128)	\$14,684,912	\$ 6,027,188

See Notes to Consolidated Financial Statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 27, 2021

### Note 1: Company and Industry Information

The Company designs, manufactures, markets, refurbishes, and services semiconductor processing equipment used in the fabrication of integrated circuits. Semiconductor manufacturing, our customers' business, involves the complete fabrication of multiple dies or integrated circuits on a wafer. This involves the repetition of a set of core processes and can require hundreds of individual steps. Fabricating these devices requires highly sophisticated process technologies to integrate an increasing array of new materials with precise control at the atomic scale. Along with meeting technical requirements, wafer processing equipment must deliver high productivity and be cost-effective.

The Company sells its products and services primarily to companies involved in the production of semiconductors in the United States, China, Europe, Japan, Korea, Southeast Asia, and Taiwan.

The semiconductor industry is cyclical in nature and has historically experienced periodic downturns and upturns. Today's leading indicators of changes in customer investment patterns, such as electronics demand, memory pricing, and foundry utilization rates, may not be any more reliable than in prior years. Demand for the Company's equipment can vary significantly from period to period as a result of various factors including, but not limited to economic conditions; supply, demand, and prices for semiconductors; customer capacity requirements; and the Company's ability to develop and market competitive products. For these and other reasons, the Company's results of operations for fiscal years 2021, 2020, and 2019 may not necessarily be indicative of future operating results.

### Note 2: Summary of Significant Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that could affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience and on various other assumptions it believes to be applicable and evaluates them on an ongoing basis to ensure they remain reasonable under current conditions. Actual results could differ significantly from those estimates.

**Revenue Recognition:** The Company recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when or as the Company satisfies a performance obligation, as further described below.

**Identify the contract with a customer.** The Company generally considers documentation of terms with an approved purchase order as a customer contract provided that collection is considered probable, which is assessed based on the creditworthiness of the customer as determined by credit checks, payment histories, and/or other circumstances.

**Identify the performance obligations in the contract.** Performance obligations include sales of systems, spare parts, and services. In addition, customer contracts contain provisions for installation and training services which have been deemed immaterial in the context of the contract.

**Determine the transaction price.** The transaction price for the Company's contracts with its customers consists of both fixed and variable consideration provided it is probable that a significant reversal of revenue will not occur when the uncertainty related to variable consideration is resolved. Fixed consideration includes amounts to be contractually billed to the customer while variable consideration includes estimates for discounts and credits for future usage which are based on contractual terms outlined in volume purchase agreements and other factors known at the time. The Company generally invoices customers at shipment and for professional services either as provided or upon meeting certain milestones. Customer invoices are generally due within 30 to 90 days after issuance. The Company's contracts with customers typically do not include significant financing components as the period between the transfer of performance obligations and timing of payment are generally within one year.

**Allocate the transaction price to the performance obligations in the contract.** For contracts that contain multiple performance obligations, the Company allocates the transaction price to the performance obligations on a relative standalone selling price basis. Standalone selling prices are based on multiple factors including, but not limited to historical discounting trends for products and services and pricing practices in different geographies.

**Recognize revenue when or as the Company satisfies a performance obligation.** Revenue for systems and spares are recognized at a point in time, which is generally upon shipment or delivery. Revenue from services is recognized over time as services are completed or ratably over the contractual period of generally one year or less.

**Inventory Valuation:** Inventories are stated at the lower of cost or net realizable value using standard costs that approximate actual costs on a first-in, first-out basis. Finished goods are reported as inventories until the point of title transfer to the customer. Unless

specified in the terms of sale, title generally transfers at the physical transfer of the products to the freight carriers. Transfer of title for shipments to Japanese customers occurs at the time of customer acceptance.

Management evaluates the need to record adjustments for impairment of inventory at least quarterly. The Company's policy is to assess the valuation of all inventories including manufacturing raw materials, work-in-process, finished goods, and spare parts in each reporting period. Obsolete inventory or inventory in excess of management's estimated usage requirement is written down to its estimated market value if less than cost. Estimates of market value include but are not limited to management's forecasts related to the Company's future manufacturing schedules, customer demand, technological and/or market obsolescence, general semiconductor market conditions, and possible alternative uses. If future customer demand or market conditions are less favorable than the Company's projections, additional inventory write-downs may be required and would be reflected in cost of goods sold in the period in which the revision is made.

**Warranty:** Typically, the sale of semiconductor capital equipment includes providing parts and service warranties to customers as part of the overall price of the system. The Company provides standard warranties for its systems. The Company records a provision for estimated warranty expenses to cost of sales for each system when it recognizes revenue. The Company does not maintain general or unspecified reserves; all warranty reserves are related to specific systems. All actual or estimated parts and labor costs incurred in subsequent periods are charged to those established reserves on a system-by-system basis.

While the Company periodically monitors the performance and cost of warranty activities, if actual costs incurred are different than its estimates, the Company may recognize adjustments to provisions in the period in which those differences arise or are identified. In addition to the provision of standard warranties, the Company offers customer-paid extended warranty services. Revenues for extended maintenance and warranty services with a fixed payment amount are recognized on a straight-line basis over the term of the contract. Related costs are recorded as incurred.

**Equity-based Compensation – Employee Stock Plans:** The Company recognizes the fair value of equity-based compensation expense. The Company determines the fair value of its RSUs, excluding market-based performance RSUs, based upon the fair market value of Company's Common Stock at the date of grant, discounted for dividends. The Company estimates the fair value of its market-based performance RSUs using a Monte Carlo simulation model at the date of the grant. The Company estimates the fair value of its stock options using a Black-Scholes option valuation model. This model requires the input of subjective assumptions, including expected stock price volatility and the estimated life of each award. The Company amortizes the fair value of equity-based awards over the vesting periods of the award, and the Company has elected to use the straight-line method of amortization.

**Income Taxes:** Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. Realization of its net deferred tax assets is dependent on future taxable income. The Company believes it is more likely than not that such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time. In the event that the Company determines that it will not be able to realize all or part of its net deferred tax assets, an adjustment will be charged to earnings in the period such determination is made. Likewise, if the Company later determines that it is more likely than not that the deferred tax assets will be realized, then the previously provided valuation allowance will be reversed.

The Company recognizes the benefit from a tax position only if it is more likely than not that the position will be sustained upon audit based solely on the technical merits of the tax position. The Company's policy is to include interest and penalties related to uncertain tax positions as a component of income tax expense.

**Goodwill and Intangible Assets:** The valuation of intangible assets acquired in a business combination requires the use of management estimates including but not limited to estimating future expected cash flows from assets acquired and determining discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable, and as a result, actual results may differ from estimates. Estimates associated with the accounting for acquisitions may change as additional information becomes available. The Company amortizes intangible assets with estimable useful lives over their respective estimated useful lives.

Goodwill represents the amount by which the purchase price in each business combination exceeds the fair value of the net tangible and identifiable intangible assets acquired. Each component of the Company for which discrete financial information is available and for which management regularly reviews the results of operations is considered a reporting unit. All goodwill acquired in a business combination is assigned to one or more reporting units as of the acquisition date. Goodwill is assigned to the Company's reporting units that are expected to benefit from the synergies of the combination. The goodwill assigned to a reporting unit is the difference between the acquisition consideration assigned to the reporting unit on a relative fair value basis and the fair value of acquired assets and liabilities that can be specifically attributed to the reporting unit.

The Company reviews goodwill at least annually for impairment during the fourth quarter of each fiscal year and if certain events or indicators of impairment occur between annual impairment tests. The process of evaluating the potential impairment of goodwill

requires significant judgment. When reviewing goodwill for impairment, the Company first performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In performing a qualitative assessment, it considers business conditions and other factors including, but not limited to (i) adverse industry or economic trends, (ii) restructuring actions and lower projections that may impact future operating results, (iii) sustained decline in share price, and (iv) overall financial performance and other events affecting the reporting units. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a quantitative impairment test is performed by estimating the fair value of the reporting unit and comparing it to its carrying value, including goodwill allocated to that reporting unit. The Company did not record impairments of goodwill during the years ended June 27, 2021, June 28, 2020, or June 30, 2019.

The Company determines the fair value of its reporting units by using an income approach. Under the income approach, the Company determines fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn.

In estimating the fair value of a reporting unit, the Company makes estimates and judgments about the future cash flows of its reporting units, including estimated growth rates and assumptions about the economic environment. Although the Company's cash flow forecasts are based on assumptions that are consistent with the plans and estimates it is using to manage the underlying businesses, there is significant judgment involved in determining the cash flows attributable to a reporting unit. In addition, the Company makes certain judgments about allocating shared assets to the estimated balance sheets of its reporting units. Changes in judgment on these assumptions and estimates could result in a goodwill impairment charge.

If after completing the quantitative assessment the carrying value of a reporting unit exceeds its fair value, the Company would record an impairment charge equal to the excess of the carrying value of the reporting unit over its fair value, up to the amount the goodwill assigned to the reporting unit.

*Impairment of Long-lived Assets (Excluding Goodwill):* The Company reviews intangible assets whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. If such indicators are present, the Company determines whether the sum of the estimated undiscounted cash flows attributable to the assets is less than their carrying value. If the sum is less, the Company recognizes an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. Fair value is determined by discounted future cash flows, appraisals, or other methods. The Company recognizes an impairment charge to the extent the fair value attributable to the asset are less than the asset's carrying value. The fair value of the asset then becomes the asset's new carrying value, which the Company depreciates over the remaining estimated useful life of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value. For the periods presented, there was no impairment of long-lived assets. In addition, for fully amortized intangible assets, we derecognize the gross cost and accumulated amortization in the period we determine the intangible asset no longer enhances future cash flows.

*Fiscal Year:* The Company follows a 52/53-week fiscal reporting calendar, and its fiscal year ends on the last Sunday of June each year. The Company's most recent fiscal years ended June 27, 2021 and June 28, 2020 each included 52 weeks, and the fiscal year ended June 30, 2019 included 53 weeks.

*Principles of Consolidation:* The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

*Cash Equivalents and Investments:* Investments purchased with an original maturity of three months or less are considered cash equivalents. The Company also invests in certain mutual funds, which include equity and fixed-income securities, related to its obligations under its deferred compensation plan, and such investments are classified as trading securities on the consolidated balance sheets. All of the Company's other investments are classified as available-for-sale at the respective balance sheet dates. The Company accounts for its investment portfolio at fair value. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Differences between the cost and fair value of trading securities are recognized as other expense, net in the Consolidated Statement of Operations. The investments classified as available-for-sale are recorded at fair value based upon quoted market prices, and difference between the cost and fair value of available-for-sale securities is presented as a component of accumulated other comprehensive income (loss). Following the adoption of Accounting Standard Codification Topic 326 (see additional information in Note 3: Recent Accounting Pronouncements), under Subtopic 326-30, the Company evaluates its investments with fair value less than amortized cost by first considering whether the Company has the intent to sell the security or whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. In either such situation, the difference between fair value and amortized cost is recognized as a loss in the income statement. Where such sales are not likely to occur, the Company considers whether a portion of the loss is the result of a credit loss. To the extent such losses are the result of credit losses, those amounts are recognized in the income statement. All other differences between fair value and amortized cost are recognized in other comprehensive income. No such losses were recognized through the income statement during the year ended June 27, 2021. No other-than-temporary impairment charges were recognized during the years ended June 28, 2020 or June 30, 2019.

*Allowance for Expected Credit Losses:* The Company maintains an allowance for expected losses resulting from the inability of its customers to make required payments. The Company evaluates its allowance for expected credit losses based on a combination of

factors. In circumstances where specific invoices are deemed uncollectible, the Company provides a specific allowance against the amount due to reduce the net recognized receivable to the amount it reasonably believes will be collected. The Company also provides allowances based on its write-off history. Bad debt expense was not material for fiscal years ended June 27, 2021, June 28, 2020, and June 30, 2019.

**Property and Equipment:** Property and equipment is stated at cost. Equipment is depreciated by the straight-line method over the estimated useful lives of the assets, generally three to five years. Furniture and fixtures are depreciated by the straight-line method over the estimated useful lives of the assets, generally five years. Software is amortized by the straight-line method over the estimated useful lives of the assets, generally three to five years. Buildings are depreciated by the straight-line method over the estimated useful lives of the assets, generally twenty-five years. Leasehold improvements are generally amortized by the straight-line method over the shorter of the life of the related asset or the term of the underlying lease. Amortization of finance leases is included with depreciation expense.

**Derivative Financial Instruments:** In the normal course of business, the Company's financial position is routinely subjected to market risk associated with interest rate and foreign currency exchange rate fluctuations. The Company's policy is to mitigate the effect of interest rate fluctuations on certain proposed debt instruments and exchange rate fluctuations on certain foreign currency denominated business exposures. The Company has a policy that allows the use of derivative financial instruments to hedge foreign currency exchange rate fluctuations on forecasted revenue and expenses and net monetary assets or liabilities denominated in various foreign currencies. The Company carries derivative financial instruments (derivatives) on the balance sheet at their fair values. The Company does not use derivatives for trading or speculative purposes. The Company does not believe that it is exposed to more than a nominal amount of credit risk in its interest rate and foreign currency hedges, as counterparties are large, global and well-capitalized financial institutions. The Company maintains an active currency hedging program and believes there is minimal risk that appropriate derivatives to maintain the Company's hedging program would not be available in the future.

To hedge foreign currency risks, the Company uses foreign currency exchange forward and option contracts, where possible and prudent. These hedge contracts are valued using standard valuation formulas with assumptions about future foreign currency exchange rates derived from existing exchange rates, interest rates, and other market factors.

The Company considers its most current forecast in determining the level of foreign currency denominated revenue and expenses to hedge as cash flow hedges. The Company combines these forecasts with historical trends to establish the portion of its expected volume to be hedged. The revenue and expenses are hedged and designated as cash flow hedges to protect the Company from exposures to fluctuations in foreign currency exchange rates. If the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the related hedge gains and losses on the cash flow hedge are reclassified from accumulated other comprehensive income (loss) to other expense, net on the Consolidated Statement of Operations at that time.

**Leases:** Lease expense for operating leases is recognized on a straight-line basis over the lease term. The Company includes renewals and terminations in the calculation of the right-of-use asset and liability when the provision is reasonably certain to be exercised. The Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future lease payments when the rate implicit in the lease is unknown.

The Company has elected the following practical expedients and accounting policy elections for accounting under ASC 842: (i) leases with an initial lease term of 12 months or less are not recorded on the balance sheet; and (ii) lease and non-lease components of a contract are accounted for as a single lease component.

**Guarantees:** The Company has certain finance leases that contain provisions whereby the properties subject to the finance leases may be remarketed at lease expiration. The Company has guaranteed to the lessor an amount approximating the lessor's investment in the property. Also, the Company's guarantees generally include certain indemnifications to its lessors for environmental matters, potential overdraft protection obligations to financial institutions related to one of the Company's subsidiaries, indemnifications to the Company's customers for certain infringement of third-party intellectual property rights by its products and services, indemnifications for its officers and directors, and the Company's warranty obligations under sales of its products.

**Foreign Currency Translation:** The Company's non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, primarily generate and expend cash in their local currency. Accordingly, all balance sheet accounts of these local functional currency subsidiaries are translated into U.S. dollars at the fiscal period-end exchange rate, and income and expense accounts are translated into U.S. dollars using average rates in effect for the period, except for costs related to those balance sheet items that are translated using historical exchange rates. The resulting translation adjustments are recorded as cumulative translation adjustments and are a component of accumulated other comprehensive income (loss). Remeasurement adjustments are recorded in other expense, net, where the U.S. dollar is the functional currency.

### Note 3: Recent Accounting Pronouncements

#### Recently Adopted or Effective

In June 2016, the Financial Accounting Standards Board (“FASB”) released Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments – Credit Losses (Topic 326).” The amendment revises the impairment model to utilize an expected loss methodology in place of the previously used incurred loss methodology, which results in more timely recognition of losses on financial instruments, including but not limited to, available for sale debt securities and accounts receivable. The FASB issued a subsequent amendment to the initial guidance in April 2019 and November 2019 within ASU 2019-04 and ASU 2019-11, respectively. The adoption of these standards in the first quarter of fiscal year 2021 did not have a material impact on the Company’s Consolidated Financial Statements.

In November 2018, the FASB issued ASU 2018-18, “Collaborative Arrangements (Topic 808).” The amendment clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under Topic 606 when the counterparty is a customer for a good or service that is a distinct unit of account. The amendment also precludes entities from presenting consideration from transactions with a collaborator that is not a customer together with revenue recognized from contracts with customers. The adoption of this standard in the first quarter of fiscal year 2021 did not have a material impact on the Company’s Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued. In January 2021, the FASB issued ASU 2021-01, “Reference Rate Reform (Topic 848),” which permits entities to apply optional expedients in Topic 848 to derivative instruments modified because of discounting transition resulting from reference rate reform. ASU 2020-04 became effective upon issuance and may be applied prospectively to contract modifications made on or before December 31, 2022. ASU 2021-01 became effective upon issuance and may be applied on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 or prospectively for contract modifications made on or before December 31, 2022. The Company has not yet applied the relief afforded by these standard amendments and is currently assessing contracts that will require modification due to reference rate reform to which these standard amendments may be applied.

#### Updates Not Yet Effective

In August 2020, the FASB issued ASU No. 2020-06, “Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity”, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity’s own equity. Among other changes, ASU 2020-06 removes from U.S. GAAP the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. ASU 2020-06 also eliminates the treasury stock method to calculate diluted earnings per share and requires the if-converted method. The provisions of ASU 2020-06 are applicable for fiscal years beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020. The Company is required to adopt this standard in the first quarter of fiscal year 2023. The update permits the use of either the modified retrospective or fully retrospective method of transition. The Company does not expect adoption of this standard to have a material impact on its Consolidated Financial Statements.

### Note 4: Revenue

#### Deferred Revenue

Revenue of \$452.8 million included in deferred profit at June 28, 2020 was recognized during fiscal year 2021.

The following table summarizes the transaction price for contracts that have not yet been recognized as revenue as of June 27, 2021 and when the Company expects to recognize the amounts as revenue:

	Less than 1 Year	1 – 3 Years	More than 3 Years	Total
	(in thousands)			
Deferred revenue	\$955,157	\$163,650 <sup>(1)</sup>	\$ —	\$1,118,807

(1) This amount is reported in Deferred profit on the Company’s Consolidated Balance Sheets as the customers can demand the liability to be performed at any time.

## Disaggregation of Revenue

The following table presents the Company's revenue disaggregated between system and its customer-support related revenue:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
(in thousands)			
Systems Revenue	\$ 9,764,845	\$ 6,625,130	\$6,451,104
Customer support-related revenue and other	4,861,305	3,419,606	3,202,455
	<u>\$14,626,150</u>	<u>\$10,044,736</u>	<u>\$9,653,559</u>

System revenue includes sales of new leading-edge equipment in deposition, etch and clean markets.

Customer support-related revenue includes sales of customer service, spares, upgrades, and non-leading-edge equipment from the Company's Reliant product line.

The Company operates in one reportable business segment: manufacturing and servicing of wafer processing semiconductor manufacturing equipment. Refer to Note 20 – Segment, Geographic Information, and Major Customers; for additional information regarding the Company's evaluation of reportable business segments and the disaggregation of revenue by the geographic regions in which the Company operates.

Additionally, the Company serves three primary markets: memory, foundry, and logic/integrated device manufacturing. The following table presents the percentages of leading- and non-leading-edge equipment and upgrade revenue to each of the primary markets the Company serves:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
Memory	61%	58%	70%
Foundry	32%	31%	20%
Logic/integrated device manufacturing	7%	11%	10%

## Note 5: Equity-based Compensation Plans

The Company has stock plans that provide for grants of equity-based awards to eligible participants, including stock options and restricted stock units, of the Company's Common Stock. An option is a right to purchase Common Stock at a set price. An RSU award is an agreement to issue a set number of shares of Common Stock at the time of vesting. The Company also has an employee stock purchase plan that allows employees to purchase its Common Stock at a discount through payroll deductions.

The Lam Research Corporation 2007 Stock Incentive Plan, as amended and restated, 2011 Stock Incentive Plan, as amended and restated, and the 2015 Stock Incentive Plan (collectively the "Stock Plans"), provide for the grant of non-qualified equity-based awards to eligible employees, consultants and advisors, and non-employee directors of the Company and its subsidiaries. The 2015 Stock Incentive Plan was approved by stockholders authorizing up to 18,000,000 shares for issuance under the plan. Additionally, 1,232,068 shares that remained available for grants under the Company's 2007 Stock Incentive Plan were added to the shares available for issuance under the 2015 Stock Incentive Plan. As of June 27, 2021, there were a total of 8,585,404 shares available for future issuance under the Stock Plans. New shares are issued from the Company's balance of authorized Common Stock from the 2015 Stock Incentive Plan to satisfy stock option exercises and vesting of awards.

The Company recognized the following equity-based compensation expense and benefits in the Consolidated Statements of Operations:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
(in thousands)			
Equity-based compensation expense	\$220,164	\$189,197	\$187,234
Income tax benefit recognized related to equity-based compensation	\$ 49,313	\$ 36,135	\$ 47,396
Income tax benefit realized from the exercise and vesting of options and RSUs	\$ 97,275	\$ 67,060	\$ 49,242

The estimated fair value of the Company's equity-based awards, less expected forfeitures, is amortized over the awards' vesting terms on a straight-line basis.

#### Restricted Stock Units

During the fiscal years 2021, 2020, and 2019, the Company issued both service-based RSUs and market-based performance RSUs ("PRSUs"). Service-based RSUs typically vest over a period of 3 years or less. Market-based PRSUs generally vest three years from the grant date if certain performance criteria are achieved and require continued employment. Based upon the terms of such awards, the number of shares that can be earned over the performance periods is based on the Company's Common Stock price performance compared to the market price performance of a designated benchmark index, ranging from 0% to 150% of target. The designated benchmark index was the Philadelphia Semiconductor Total Return Index ("XSOX") for market-based PRSUs issued in 2021 and 2020 and the Philadelphia Semiconductor Sector Index ("SOX") for market-based PRSUs issued in 2019. The stock price performance or market price performance is measured using the closing price for the 50-trading days prior to the dates the performance period begins and ends. The target number of shares represented by the market-based PRSUs is increased by 2% of target for each 1% that Common Stock price performance exceeds the market price performance of the designated benchmark index. Market-based PRSUs issued in 2021 and 2020 utilized the XSOX, which index gives effect to the reinvestment of dividends paid on its constituent holdings, as the benchmark; and accordingly the Company's Common Stock price performance was adjusted for the reinvestment of dividends on Common Stock on the ex-dividend date. By contrast, market-based PRSUs issued in 2019 utilized the SOX as a benchmark, which excluded the impact of dividends; accordingly the Company's Common Stock price performance was not adjusted for the reinvestment of dividends. The result of the vesting formula is rounded down to the nearest whole number. Total stockholder return is a measure of stock price appreciation in this performance period.

The following table summarizes the Company's combined service-based RSUs and market-based PRSUs:

	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding, June 28, 2020	1,722	\$214.93
Granted	527	558.64
Vested	(886)	200.16
Forfeited or canceled	(57)	270.00
Outstanding, June 27, 2021	<u>1,306</u>	<u>\$345.70</u>

Of the 1.3 million shares outstanding at June 27, 2021, 1.0 million are service-based RSUs and 0.3 million are market-based PRSUs. The fair value of the Company's service-based RSUs was calculated based on the fair market value of the Company's stock at the date of grant, discounted for dividends. The fair value of the Company's market-based PRSUs granted during fiscal years 2021, 2020, and 2019 was calculated using a Monte Carlo simulation model at the date of the grant, resulting in a weighted average grant-date fair value per share of \$640.69, \$320.69, and \$165.78, respectively. The total fair value of service-based RSUs and market-based RSUs that vested during fiscal years 2021, 2020, and 2019 was \$177.4 million, \$166.9 million, and \$152.1 million, respectively.

As of June 27, 2021, the Company had \$364.6 million of total unrecognized compensation expense which is expected to be recognized over a weighted-average remaining period of approximately 2.3 years.

## Stock Options

The Company granted stock options with a 7-year maximum contractual term to a limited group of executive officers during fiscal years 2021, 2020, and 2019. Stock options typically vest over a period of three years or less. The Company had 219.9 thousand options outstanding at June 27, 2021 with a weighted-average exercise price of \$201.44 per share, of which 119.4 thousand were exercisable with a weighted-average exercise price of \$148.15 per share. As of June 27, 2021, the Company had \$6.3 million of total unrecognized compensation expense related to unvested stock options granted and outstanding which is expected to be recognized over a weighted-average remaining period of 2.0 years.

## ESPP

The Company has an employee stock purchase plan (the "ESPP") which allows employees to designate a portion of their base compensation to be deducted and used to purchase the Company's Common Stock at a purchase price per share of the lower of 85% of the fair market value of the Company's Common Stock on the first or last day of the applicable purchase period. Typically, each offering period lasts 12 months and contains one interim purchase date.

During fiscal year 2021, approximately 484 thousand shares of the Company's Common Stock were sold to employees under the ESPP. At June 27, 2021, approximately 5.9 million shares were available for purchase, and the Company had \$31.9 million of total unrecognized compensation cost, which is expected to be recognized over a remaining period of less than one year.

### Note 6: Other Expense, Net

The significant components of other expense, net, were as follows:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
	(in thousands)		
Interest income	\$ 19,687	\$ 85,433	\$ 98,771
Interest expense	(208,597)	(177,440)	(117,263)
Gains on deferred compensation plan related assets, net	61,838	5,999	10,464
Foreign exchange (losses) gains, net	(6,962)	(3,317)	826
Other, net	22,815	(9,499)	(10,959)
	<u>\$111,219</u>	<u>\$ (98,824)</u>	<u>\$ (18,161)</u>

Interest income in the year ended June 27, 2021, decreased compared to the year ended June 28, 2020, primarily as a result of lower yield. Interest income decreased in the year ended June 28, 2020, compared to the year ended June 30, 2019, as a result of lower yield, partially offset by a higher cash balance.

Interest expense in the year ended June 27, 2021, increased compared to the year ended June 28, 2020, primarily due to the full year impact of the issuance of the \$2.0 billion senior notes in fiscal year 2020. The increase in interest expense in the year ended June 28, 2020, compared to the year ended June 30, 2019, was primarily due to the full year impact of the issuance of the \$2.5 billion of senior notes in fiscal year 2019 and issuance of the \$2.0 billion senior notes in fiscal year 2020.

The gains on deferred compensation plan related assets in the years presented were driven by an improvement in the fair market value of the underlying funds.

The gains in other, net for the year ended June 27, 2021 compared to the years ended June 28, 2020 and June 30, 2019 were primarily driven by private equity investments.

#### Note 7: Income Taxes

The components of income (loss) before income taxes were as follows:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
(in thousands)			
United States	\$ 120,161	\$ 44,739	\$ (59,876)
Foreign	4,250,643	2,530,239	2,506,447
	<u>\$4,370,804</u>	<u>\$2,574,978</u>	<u>\$2,446,571</u>

Significant components of the provision (benefit) for income taxes attributable to income before income taxes were as follows:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
(in thousands)			
Federal:			
Current	\$ 437,525	\$216,513	\$143,845
Deferred	(139,531)	(18,458)	(10,722)
	<u>297,994</u>	<u>198,055</u>	<u>133,123</u>
State:			
Current	13,560	4,724	5,994
Deferred	(8,324)	6,524	4,944
	<u>5,236</u>	<u>11,248</u>	<u>10,938</u>
Foreign:			
Current	162,738	119,766	110,283
Deferred	(3,622)	(5,844)	797
	<u>159,116</u>	<u>113,922</u>	<u>111,080</u>
Total provision for income taxes	<u>\$ 462,346</u>	<u>\$323,225</u>	<u>\$255,141</u>

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. Significant components of the Company's net deferred tax assets and liabilities were as follows:

	June 27, 2021	June 28, 2020
	(in thousands)	
<b>Deferred tax assets:</b>		
Tax carryforwards	\$ 281,022	\$ 249,874
Allowances and reserves	165,335	119,974
Equity-based compensation	7,322	7,167
Inventory valuation differences	28,877	26,069
Outside basis differences of foreign subsidiaries	193,734	105,159
Operating lease liabilities	37,562	40,157
Other	22,575	26,361
<b>Gross deferred tax assets</b>	<b>736,427</b>	<b>574,761</b>
Valuation allowance	(277,133)	(244,973)
<b>Net deferred tax assets</b>	<b>459,294</b>	<b>329,788</b>
<b>Deferred tax liabilities:</b>		
Intangible assets	(3,113)	(6,442)
Convertible debt	—	(24,530)
Capital assets	(97,602)	(105,508)
Amortization of goodwill	(13,161)	(12,256)
Right-of-use assets	(37,562)	(40,157)
Other	(262)	(7,509)
<b>Gross deferred tax liabilities</b>	<b>(151,700)</b>	<b>(196,402)</b>
<b>Net deferred tax assets</b>	<b>\$ 307,594</b>	<b>\$ 133,386</b>

The change in gross deferred tax assets, gross deferred tax liabilities, and valuation allowance between fiscal year 2021 and 2020 is primarily due to increases in gross deferred tax assets for outside basis differences of foreign subsidiaries, allowances and reserves, and tax credits, and decreases in gross deferred tax liabilities for convertible debt.

The Company previously made an accounting policy election to record deferred taxes related to Global Intangible Low-Taxed Income ("GILTI").

Realization of the Company's net deferred tax assets is based upon the weighting of available evidence, including such factors as the recent earnings history and expected future taxable income. The Company believes it is more likely than not that such deferred tax assets will be realized with the exception of \$277.1 million related to California deferred tax assets. At June 27, 2021, the Company continued to record a valuation allowance to offset the entire California deferred tax asset balance due to the single sales factor apportionment resulting in lower taxable income in California.

At June 27, 2021, the Company had federal net operating loss carryforwards of \$25.2 million. If not utilized, these losses will begin to expire in fiscal year 2022, and are subject to limitation on their utilization.

At June 27, 2021, the Company had state net operating loss carryforwards of \$94.5 million. If not utilized, these losses will begin to expire in fiscal year 2023 and are subject to limitation on their utilization.

At June 27, 2021, the Company had state tax credit carryforwards of \$408.9 million. Substantially all of these credits can be carried forward indefinitely.

A reconciliation of income tax expense provided at the federal statutory rate (21% in fiscal years 2021, 2020, and 2019) to actual income tax expense is as follows:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
	(in thousands)		
Income tax expense computed at federal statutory rate	\$ 917,869	\$ 540,745	\$ 513,780
State income taxes, net of federal tax benefit	(33,478)	(28,046)	(17,565)
Foreign income taxed at different rates	(365,886)	(146,023)	(260,344)
Settlements and reductions in uncertain tax positions	(13,613)	(12,854)	(31,291)
Tax credits	(86,709)	(88,762)	(71,779)
State valuation allowance, net of federal tax benefit	39,477	30,923	26,742
Equity-based compensation	(45,764)	(23,248)	(7,566)
Other permanent differences and miscellaneous items	50,450	50,490	39,251
U.S. tax reform impacts	—	—	63,913
	<u>\$ 462,346</u>	<u>\$ 323,225</u>	<u>\$ 255,141</u>

In November 2019, the Ninth Circuit rejected the en banc appeal petitioned by Altera in July 2019. In that quarter, the Company evaluated the impact of the decision and viewed the denial as an indication that Altera's position of excluding stock-based compensation expense in an intercompany cost-sharing arrangement was unlikely to be sustained upon further litigation. As a result, the Company reversed \$74.5 million of net tax assets associated with stock-based compensation benefits related to previous years in the Condensed Consolidated Financial Statements in the three months ended December 29, 2019 and the Company no longer reflected a net tax benefit within its financial statements related to excluding stock-based compensation from its intercompany cost-sharing arrangement. In February 2020, Altera petitioned the SCOTUS to hear their case. In June 2020, the SCOTUS denied the petition.

Earnings of the Company's foreign subsidiaries included in consolidated retained earnings that are indefinitely reinvested in foreign operations aggregated to approximately \$774.5 million at June 27, 2021. If these earnings were remitted to the United States, they would be subject to foreign withholding taxes of approximately \$122.1 million at current statutory rates. The potential tax expense associated with these foreign withholding taxes would be substantially offset by foreign tax credits that would be generated in the United States upon remittance.

The Company's gross uncertain tax positions were \$566.8 million, \$476.7 million, and \$420.8 million as of June 27, 2021, June 28, 2020, and June 30, 2019, respectively. During fiscal year 2021, gross uncertain tax positions increased by \$90.1 million. The amount of uncertain tax positions that, if recognized, would impact the effective tax rate was \$504.4 million, \$423.8 million, and \$376.0 million, as of June 27, 2021, June 28, 2020, and June 30, 2019, respectively. The aggregate changes in the balance of gross uncertain tax positions were as follows:

	(in thousands)
Balance as of June 24, 2018	\$305,413
Settlements and effective settlements with tax authorities	(3,705)
Lapse of statute of limitations	(28,176)
Increases in balances related to tax positions taken during prior periods	78,927
Decreases in balances related to tax positions taken during prior periods	(1,577)
Increases in balances related to tax positions taken during current period	69,890
Balance as of June 30, 2019	<u>420,772</u>
Settlements and effective settlements with tax authorities	(1,836)
Lapse of statute of limitations	(8,026)
Increases in balances related to tax positions taken during prior periods	3,206
Decreases in balances related to tax positions taken during prior periods	(3,989)
Increases in balances related to tax positions taken during current period	66,568
Balance as of June 28, 2020	<u>476,695</u>
Settlements and effective settlements with tax authorities	(1,443)
Lapse of statute of limitations	(8,456)
Increases in balances related to tax positions taken during prior periods	15,986
Decreases in balances related to tax positions taken during prior periods	(2,746)
Increases in balances related to tax positions taken during current period	86,735
Balance as of June 27, 2021	<u><u>\$566,771</u></u>

The Company recognizes interest expense and penalties related to the above uncertain tax positions within income tax expense. The Company had accrued \$54.6 million, \$40.2 million, and \$19.1 million cumulatively for gross interest and penalties as of June 27, 2021, June 28, 2020, and June 30, 2019, respectively.

The Company is subject to audits by state and foreign tax authorities. The Company is unable to make a reasonable estimate as to when cash settlements, if any, with the relevant taxing authorities will occur.

The Company files U.S. federal, U.S. state, and foreign income tax returns. As of June 27, 2021, tax years 2004-2021 remain subject to examination in the jurisdictions where the Company operates. The Internal Revenue Service ("IRS") is examining the Company's U.S. federal income tax return for the fiscal year ended June 24, 2018. As of June 27, 2021, no significant adjustments have been proposed by the IRS. The Company is unable to make a reasonable estimate as to when cash settlements, if any, with the IRS will occur.

The Company is in various stages of examinations in connection with all of its tax audits worldwide, and it is difficult to determine when these examinations will be settled. It is reasonably possible that over the next 12-month period the Company may experience an increase or decrease in its uncertain tax positions as a result of tax examinations or lapses of statutes of limitation. The change in uncertain tax positions may range up to \$37.7 million.

#### **Note 8: Net Income per Share**

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the treasury stock method, for dilutive stock options, restricted stock units, and convertible notes.

The following table reconciles the inputs to the basic and diluted computations for net income per share.

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
(in thousands, except per share data)			
<b>Numerator:</b>			
Net income	\$3,908,458	\$2,251,753	\$2,191,430
<b>Denominator:</b>			
Basic average shares outstanding	143,609	144,814	152,478
<b>Effect of potential dilutive securities:</b>			
Employee stock plans	1,168	1,236	1,323
Convertible notes	543	3,040	5,610
Warrants	—	—	504
Diluted average shares outstanding	145,320	149,090	159,915
Net income per share – basic	\$ 27.22	\$ 15.55	\$ 14.37
Net income per share – diluted	\$ 26.90	\$ 15.10	\$ 13.70

For purposes of computing diluted net income per share, weighted-average common shares do not include potentially dilutive securities that are anti-dilutive under the treasury stock method. The impact from potentially dilutive securities, including options and RSUs, were not material for fiscal years ended June 27, 2021, June 28, 2020, and June 30, 2019.

#### **Note 9: Financial Instruments**

##### Fair Value

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value. The level of an asset or liability in the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities with sufficient volume and frequency of transactions.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or model-derived valuations techniques for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities and based on non-binding, broker-provided price quotes and may not have been corroborated by observable market data.

The Company engages with pricing vendors to provide fair values for a majority of its Level 1 and Level 2 investments. The vendors provide either a quoted market price in an active market or use observable inputs without applying significant adjustments in their pricing. Significant observable inputs include interest rates and yield curves observable at commonly quoted intervals, volatility and credit risks. The fair value of derivative contracts is determined using observable market inputs such as the foreign currency rates, forward rate curves, currency volatility and interest rates and considers nonperformance risk of the Company and its counterparties.

The Company's primary financial instruments include its cash, cash equivalents, investments, restricted cash and investments, long-term investments, accounts receivable, accounts payable, long-term debt and leases, and foreign currency related derivative instruments. The estimated fair value of cash, accounts receivable, and accounts payable approximates their carrying value due to the short period of time to their maturities. The estimated fair values of lease obligations approximate their carrying value as the majority of these obligations have interest rates that adjust to market rates on a periodic basis. Refer to Note 14 – Long Term Debt and Other Borrowings for additional information regarding the fair value of the Company's senior notes and convertible senior notes.

## Investments

The following tables set forth the Company's cash, cash equivalents, investments, restricted cash and investments, and other assets measured at fair value on a recurring basis as of June 27, 2021, and June 28, 2020:

	June 27, 2021							
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	(Reported Within)		Restricted Cash & Investments	Other Assets
					Cash and Cash Equivalents	Investments		
(in thousands)								
Cash	\$ 875,738	\$ —	\$ —	\$ 875,738	\$ 873,278	\$ —	\$ 2,460	\$ —
Time deposit	1,548,874	—	—	1,548,874	1,298,847	—	250,027	—
Level 1:								
Money market funds	2,246,138	—	—	2,246,138	2,246,138	—	—	—
U.S. Treasury and agencies	204,743	96	(47)	204,792	—	204,792	—	—
Mutual funds	80,694	15,510	(33)	96,171	—	—	—	96,171
Level 1 total	2,531,575	15,606	(80)	2,547,101	2,246,138	204,792	—	96,171
Level 2:								
Government-sponsored enterprises	3,498	7	—	3,505	—	3,505	—	—
Foreign government bonds	32,995	21	(4)	33,012	—	33,012	—	—
Corporate notes and bonds	1,043,308	2,247	(457)	1,045,098	—	1,045,098	—	—
Mortgage backed securities – residential	5,623	54	—	5,677	—	5,677	—	—
Mortgage backed securities – commercial	18,830	17	(59)	18,788	—	18,788	—	—
Level 2 total	1,104,254	2,346	(520)	1,106,080	—	1,106,080	—	—
Total	\$6,060,441	\$17,952	\$(600)	\$6,077,793	\$4,418,263	\$1,310,872	\$252,487	\$96,171

	June 28, 2020							
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	(Reported Within)		Restricted Cash & Investments	Other Assets
					Cash and Cash Equivalents	Investments		
(in thousands)								
Cash	\$ 977,862	\$ —	\$ —	\$ 977,862	\$ 973,978	\$ —	\$ 3,884	\$ —
Time deposit	2,244,655	—	—	2,244,655	1,994,628	—	250,027	—
Level 1:								
Money market funds	1,709,350	—	—	1,709,350	1,709,350	—	—	—
U.S. Treasury and agencies	552,088	373	(9)	552,452	76,992	475,460	—	—
Mutual funds	68,784	4,571	(928)	72,427	—	—	—	72,427
Level 1 total	2,330,222	4,944	(937)	2,334,229	1,786,342	475,460	—	72,427
Level 2:								
Government-sponsored enterprises	31,442	12	—	31,454	25,999	5,455	—	—
Foreign government bonds	10,693	28	(5)	10,716	2,540	8,176	—	—
Corporate notes and bonds	1,405,615	5,344	(302)	1,410,657	131,685	1,278,972	—	—
Mortgage backed securities – residential	3,142	71	—	3,213	—	3,213	—	—
Mortgage backed securities – commercial	23,660	144	—	23,804	—	23,804	—	—
Level 2 total	1,474,552	5,599	(307)	1,479,844	160,224	1,319,620	—	—
Total	\$7,027,291	\$10,543	\$(1,244)	\$7,036,590	\$4,915,172	\$1,795,080	\$253,911	\$72,427

The Company accounts for its investment portfolio at fair value. Realized gains (losses) for investment sales are specifically identified. Management assesses the fair value of investments in debt securities that are not actively traded through consideration of interest rates and their impact on the present value of the cash flows to be received from the investments.

Gross realized gains/(losses) from sales of investments were insignificant in the fiscal years 2021, 2020, and 2019.

The following is an analysis of the Company's cash, cash equivalents, investments, and restricted cash and investments in unrealized loss positions. As of June 27, 2021, there are no unrealized loss positions with a duration equal to or greater than twelve months:

	June 27, 2021
	<u>Unrealized Losses Less than 12 Months</u>
	Gross Unrealized Loss
	Fair Value  (in thousands)
U.S. Treasury and agencies	\$122,791      \$ (47)
Mutual funds	2,642      (33)
Foreign government bonds	2,133      (4)
Corporate notes and bonds	278,133      (457)
Mortgage backed securities – commercial	15,076      (59)
	<u>\$420,775</u> <u>\$ (600)</u>

The amortized cost and fair value of cash equivalents, investments, and restricted investments with contractual maturities as of June 27, 2021, are as follows:

	Cost	Fair Value
	(in thousands)	
Due in one year or less	\$4,198,483	\$4,198,992
Due after one year through five years	866,243	867,562
Due in more than five years	39,283	39,330
	<u>\$5,104,009</u>	<u>\$5,105,884</u>

The Company has the ability, if necessary, to liquidate its investments in order to meet the Company's liquidity needs in the next 12 months. Accordingly, those investments with contractual maturities greater than 12 months from the date of purchase nonetheless are classified as short-term on the accompanying Consolidated Balance Sheets.

#### Derivative Instruments and Hedging

The Company carries derivative financial instruments ("derivatives") on its Consolidated Balance Sheets at their fair values. The Company enters into foreign currency forward contracts and foreign currency options with financial institutions with the primary objective of reducing volatility of earnings and cash flows related to foreign currency exchange rate fluctuations. In addition, the Company enters into interest rate swap arrangements to manage interest rate risk. The counterparties to these derivatives are large, global financial institutions that the Company believes are creditworthy, and therefore, it does not consider the risk of counterparty nonperformance to be material.

Under the master netting agreements with the respective counterparties to the Company's derivative contracts, subject to applicable requirements, the Company is allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. However, the Company has elected to present the derivative assets and derivative liabilities on a gross basis on its balance sheet. As of June 27, 2021 and June 28, 2020, the potential effect of rights of offset associated with the above foreign exchange and interest rate contracts would be immaterial to the Consolidated Balance Sheets.

#### Cash Flow Hedges

The Company's financial position is routinely subjected to market risk associated with foreign currency exchange rate fluctuations on non-U.S. dollar transactions or cash flows. The Company's policy is to mitigate the foreign exchange risk arising from the fluctuations in

the value of these non-U.S. dollar denominated transactions or cash flows through a foreign currency cash flow hedging program, using forward contracts and foreign currency options that generally expire within 12 months and no later than 24 months. These hedge contracts are designated as cash flow hedges and are carried on the Company's balance sheet at fair value with the effective portion of the contracts' gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in revenue/expense in the same period the hedged items affect earnings.

In addition, the Company has entered into interest rate swap agreements to hedge against the variability of cash flows due to changes in certain benchmark interest rates on fixed rate debt. These instruments are designated as cash flow hedges at inception and are settled in conjunction with the issuance of debt. The effective portion of the contracts' gains or losses is included in accumulated other comprehensive income (loss) and is amortized into income as the hedged item affects earnings. During the year ended June 28, 2020, the company recognized a net loss of \$31.5 million of accumulated other comprehensive income, net of tax, related to interest rate swap agreements. No such activity occurred during the years ended June 27, 2021 or June 30, 2019.

At inception and at each quarter-end, hedges are tested prospectively and retrospectively for effectiveness using regression analysis. Changes in the fair value of foreign exchange contracts due to changes in time value are included in the assessment of effectiveness. To qualify for hedge accounting, the hedge relationship must meet criteria relating to both the derivative instrument and the hedged item. These criteria include identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows will be measured. There were no material gains or losses during the fiscal years ended June 27, 2021, June 28, 2020, or June 30, 2019 associated with forecasted transactions that failed to occur. There were no material gains or losses during the fiscal year ended June 30, 2019 associated with ineffectiveness.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge, and the hedges must be tested to demonstrate an expectation of providing highly effective offsetting changes to future cash flows on hedged transactions. When derivative instruments are designated and qualify as effective cash flow hedges, the Company recognizes effective changes in the fair value of the hedging instrument within accumulated other comprehensive income (loss) until the hedged exposure is realized. Consequently, the Company's results of operations are not subject to fluctuation as a result of changes in the fair value of the derivative instruments. If hedges are not highly effective or if the Company does not believe that the underlying hedged forecasted transactions will occur, the Company may not be able to account for its derivative instruments as cash flow hedges. If this were to occur, future changes in the fair values of the Company's derivative instruments would be recognized in earnings. Additionally, related amounts previously recorded in other comprehensive income would be reclassified to earnings immediately.

As of June 27, 2021, the fair value of outstanding cash flow hedges was not material. Additionally, as of June 27, 2021, the Company had an immaterial net gain or loss accumulated in other comprehensive income, net of tax, related to foreign exchange cash flow hedges and interest rate contracts which it expects to reclassify from other comprehensive income into earnings over the next 12 months.

The following table provides the total notional value of cash flow hedge instruments outstanding as of June 27, 2021:

	June 27, 2021 (In thousands)
Buy Contracts	\$353,313
Sell Contracts	598,407

The effect of derivative instruments designated as cash flow hedges on the Company's Consolidated Statements of Operations, including accumulated other comprehensive income ("AOCI"), was as follows:

	Location of Gain (Loss) Recognized in or Reclassified into Income	Year Ended June 27, 2021		Year Ended June 28, 2020	
		Gain Recognized in AOCI	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI into Income
<b>Derivatives in Cash Flow Hedging Relationships</b>					
			(in thousands)		
Foreign exchange contracts	Revenue	\$17,614	\$ 868	\$ 4,095	\$ 2,418
Foreign exchange contracts	Cost of goods sold	3,756	3,659	(2,104)	(3,101)
Foreign exchange contracts	R&D	898	—	—	—
Foreign exchange contracts	SG&A	4,190	3,623	(1,158)	(1,501)
Interest rate contracts	Other expense, net	—	(3,855)	(40,610)	(700)
		<u>\$26,458</u>	<u>\$ 4,295</u>	<u>\$ (39,777)</u>	<u>\$ (2,884)</u>

## Balance Sheet Hedges

The Company also enters into foreign currency forward contracts to hedge fluctuations associated with foreign currency denominated monetary assets and liabilities, primarily cash, third-party accounts receivable, accounts payable, and intercompany receivables and payables. These forward contracts are not designated for hedge accounting treatment. Therefore, the change in fair value of these derivatives is recorded as a component of other expense, net and offsets the change in the carrying value of the foreign currency denominated assets and liabilities related to remeasurement, which are also recorded in other expense, net. As of June 27, 2021 and June 28, 2020, the fair value of outstanding balance sheet hedges was not material.

The following table provides the total notional value of balance sheet hedge instruments outstanding as of June 27, 2021:

	June 27, 2021
	(In thousands)
Buy Contracts	\$214,606
Sell Contracts	228,880

The effect of the Company's balance sheet hedge derivative instruments on the Company's Consolidated Statement of Operations was as follows:

Derivatives Not Designated as Hedging Instruments:	Location of Gain (Loss) Recognized in Income	Year Ended	
		June 27, 2021	June 28, 2020
		Gain Recognized in Income	Loss Recognized in Income
Foreign exchange contracts	Other expense, net	\$7,057	\$(5,971)

## Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, investments, restricted cash and investments, trade accounts receivable, and derivative financial instruments used in hedging activities. Cash is placed on deposit at large, global financial institutions. Such deposits may be in excess of insured limits. Management believes that the financial institutions that hold the Company's cash are creditworthy and, accordingly, minimal credit risk exists with respect to these balances.

The Company's overall portfolio of available-for-sale securities must maintain an average minimum rating of "AA-" or "Aa3" as rated by Standard and Poor's, Fitch Ratings, or Moody's Investor Services. To ensure diversification and minimize concentration, the Company's policy limits the amount of credit exposure with any one financial institution or commercial issuer.

The Company is exposed to credit losses in the event of nonperformance by counterparties on foreign currency and interest rate hedge contracts that are used to mitigate the effect of exchange rate and interest rate fluctuations and on contracts related to structured share repurchase arrangements. These counterparties are large, global financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company.

Credit risk evaluations, including trade references, bank references, and Dun & Bradstreet ratings, are performed on all new customers, and the Company monitors its customers' financial condition and payment performance. In general, the Company does not require collateral on sales.

As of June 27, 2021, two customers accounted for approximately 23% and 13%, of accounts receivable, respectively. As of June 28, 2020, two customers accounted for approximately 21%, and 12% of accounts receivable, respectively. No other customers accounted for more than 10% of accounts receivable, respectively. The Company's balance and transactional activity for its allowance for doubtful accounts is not material as of and for the twelve months ended June 27, 2021, June 28, 2020, and June 30, 2019. Refer to Note 20 – Segment, Geographic Information, and Major Customers for additional information regarding customer concentrations.

#### Note 10: Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. System shipments to customers in Japan, for which title does not transfer until customer acceptance, are classified as finished goods inventory and carried at cost until title transfers. Inventories consist of the following:

	June 27, 2021	June 28, 2020
	(in thousands)	
Raw materials	\$ 1,519,456	\$ 1,161,961
Work-in-process	391,686	251,199
Finished goods	778,152	486,864
	<u>\$ 2,689,294</u>	<u>\$ 1,900,024</u>

#### Note 11: Property and Equipment

Property and equipment, net, is presented in the table below.

	June 27, 2021	June 28, 2020
	(in thousands)	
Manufacturing and engineering equipment	\$ 1,328,399	\$ 1,154,668
Buildings and improvements	840,661	660,865
Computer and computer-related equipment	181,781	178,193
Office equipment, furniture and fixtures	95,259	83,386
Land	84,681	58,805
	<u>2,530,781</u>	<u>2,135,917</u>
Less: accumulated depreciation and amortization	<u>(1,271,356)</u>	<u>(1,082,827)</u>
	<u>\$ 1,259,425</u>	<u>\$ 1,053,090</u>

The Company has excluded \$44.1 million, and \$18.4 million of finance right-of-use assets recorded within property and equipment, net from the table above for the years ended June 27, 2021 and June 28, 2020, respectively. See Note 15 – Leases for additional information regarding these finance lease right-of-use assets. Depreciation expense, excluding amortization of finance lease right of use assets, during fiscal years 2021 and 2020 was \$229.8 million and \$198.8 million, respectively. During fiscal year 2019, depreciation expense, including amortization of capital leases, was \$182.1 million.

#### Note 12: Goodwill and Intangible Assets

##### Goodwill

The balance of goodwill was \$1.5 billion as of June 27, 2021 and June 28, 2020, respectively. As of June 27, 2021 and June 28, 2020, \$61.1 million of the goodwill balance is tax deductible, and the remaining balance is not tax deductible due to purchase accounting and applicable foreign law. No goodwill impairments were recognized in fiscal years 2021, 2020, or 2019.

## Intangible Assets

The following table provides details of the Company's intangible assets, other than goodwill:

	June 27, 2021			June 28, 2020		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
(in thousands)						
Customer relationships	\$ 630,303	\$ (581,406)	\$ 48,897	\$ 630,137	\$ (532,550)	\$ 97,587
Existing technology	669,359	(659,898)	9,461	668,992	(654,382)	14,610
Patents and other intangible assets	132,774	(58,767)	74,007	98,342	(42,007)	56,335
Total intangible assets	<u>\$1,432,436</u>	<u>\$(1,300,071)</u>	<u>\$132,365</u>	<u>\$1,397,471</u>	<u>\$(1,228,939)</u>	<u>\$168,532</u>

The Company recognized \$70.6 million, \$66.2 million, and \$127.3 million in intangible asset amortization expense during fiscal years 2021, 2020, and 2019, respectively. No intangible asset impairments were recognized in fiscal years 2021, 2020, or 2019.

The estimated future amortization expense of intangible assets as of June 27, 2021, is reflected in the table below. The table excludes \$14.1 million of capitalized costs for intangible assets that have not yet been placed into service.

Fiscal Year	Amount
	(in thousands)
2022	\$ 70,190
2023	24,228
2024	13,647
2025	7,431
2026	2,034
Thereafter	711
	<u>\$118,241</u>

## Note 13: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 27, 2021	June 28, 2020
	(in thousands)	
Accrued compensation	\$ 552,925	\$ 402,401
Warranty reserves	176,030	117,839
Income and other taxes payable	348,206	215,652
Dividend payable	185,431	167,129
Other	456,891	369,634
	<u>\$1,719,483</u>	<u>\$1,272,655</u>

#### Note 14: Long Term Debt and Other Borrowings

As of June 27, 2021, and June 28, 2020, the Company's outstanding debt consisted of the following:

	June 27, 2021		June 28, 2020	
	Amount (in thousands)	Effective Interest Rate	Amount (in thousands)	Effective Interest Rate
Fixed-rate 2.80% Senior Notes Due June 15, 2021 ("2021 Notes")	\$ —	—%	\$ 800,000	2.95%
Fixed-rate 3.80% Senior Notes Due March 15, 2025 ("2025 Notes")	500,000	3.87%	500,000	3.87%
Fixed-rate 3.75% Senior Notes Due March 15, 2026 ("2026 Notes")	750,000	3.86%	750,000	3.86%
Fixed-rate 4.00% Senior Notes Due March 15, 2029 ("2029 Notes")	1,000,000	4.09%	1,000,000	4.09%
Fixed-rate 1.90% Senior Note Due June 15, 2030 ("2030 Notes")	750,000	2.01%	750,000	2.01%
Fixed-rate 2.625% Convertible Notes Due May 15, 2041 ("2041 Notes")	— <sup>(1)</sup>	—%	48,460 <sup>(2)</sup>	4.28%
Fixed-rate 4.875% Senior Notes Due March 15, 2049 ("2049 Notes")	750,000	4.93%	750,000	4.93%
Fixed-rate 2.875% Senior Note Due June 15, 2050 ("2050 Notes")	750,000	2.93%	750,000	2.93%
Fixed-rate 3.125% Senior Note Due June 15, 2060 ("2060 Notes")	500,000	3.18%	500,000	3.18%
Total debt outstanding, at par	5,000,000		5,848,460	
Unamortized discount	(38,243)		(53,086)	
Fair value adjustment – interest rate contracts	6,621 <sup>(3)</sup>		8,405 <sup>(3)</sup>	
Unamortized bond issuance costs	(7,443)		(8,301)	
Total debt outstanding, at carrying value	<u>\$4,960,935</u>		<u>\$5,795,478</u>	
Reported as:				
Current portion of long-term debt	\$ —		\$ 836,107	
Long-term debt	4,960,935		4,959,371	
Total debt outstanding, at carrying value	<u>\$4,960,935</u>		<u>\$5,795,478</u>	

- (1) On March 26, 2021, the Company issued a notice of redemption to the existing bondholders with a redemption date of May 21, 2021. As such, the convertible notes outstanding on May 21, 2021 were redeemed by the Company.
- (2) As of June 28, 2020, these notes were convertible at the option of the bondholder. This is a result of the following condition being met: the market value of the Company's Common Stock was greater than 130% of the convertible notes conversion price for 20 or more of the 30 consecutive trading days preceding the quarter-end. As a result, the 2041 Notes were classified in current liabilities and a portion of the equity component associated with the convertible notes, representing the unamortized discount, was classified in temporary equity on the Company's Consolidated Balance Sheets.
- (3) This amount represents a cumulative fair value gain for discontinued hedging relationships, net of an immaterial amount of amortization as of the periods presented.

The Company's contractual cash obligations relating to its outstanding debt as of June 27, 2021, were as follows:

Payments Due by Fiscal Year:	(in thousands)
2022	\$ —
2023	—
2024	—
2025	500,000
2026	750,000
Thereafter	3,750,000
Total	<u>\$5,000,000</u>

#### Convertible Senior Notes

In June 2012, with the acquisition of Novellus, the Company assumed \$700 million in aggregate principal amount of 2.625% Convertible Senior Notes due May 15, 2041 (the "2041 Notes"). On May 21, 2021, the 2041 Notes then outstanding were redeemed pursuant to Section 6.01 of the underlying indenture at a price equal to outstanding principal plus accrued and unpaid interest.

No 2041 Notes were outstanding as of June 27, 2021. Selected additional information regarding the 2041 Notes outstanding as of June 28, 2020, is as follows:

	<b>2041 Notes</b>
	June 28, 2020
	(in thousands, except years, percentages, conversion rate, and conversion price)
Carrying amount of permanent equity component, net of tax	\$ 161,467
Carrying amount of temporary equity component, net of tax	\$ 10,995
Remaining amortization period (years)	20.9

#### Senior Notes

On May 5, 2020, the company completed a public offering of \$750 million aggregate principal amount of the Company's Senior Notes due June 15, 2030 (the "2030 Notes"), \$750 million aggregate principal amount of the Company's Senior Notes due June 15, 2050 (the "2050 Notes"), and \$500 million aggregate principal amount of the Company's Senior Notes due June 15, 2060 (the "2060 Notes"). The Company pays interest at an annual rate of 1.90%, 2.875%, and 3.125%, on the 2030, 2050, and 2060 Notes, respectively, on a semi-annual basis on June 15 and December 15 of each year.

On March 4, 2019, the company completed a public offering of \$750 million aggregate principal amount of the Company's Senior Notes due March 15, 2026 (the "2026 Notes"), \$1.0 billion aggregate principal amount of the Company's Senior Notes due March 15, 2029 (the "2029 Notes"), and \$750 million aggregate principal amount of the Company's Senior Notes due March 15, 2049 (the "2049 Notes"). The Company pays interest at an annual rate of 3.75%, 4.00%, and 4.875%, on the 2026, 2029, and 2049 Notes, respectively, on a semi-annual basis on March 15 and September 15 of each year.

On June 7, 2016, the Company completed a public offering of \$800 million aggregate principal amount of Senior Notes due June 15, 2021, (the "2021 Notes"). The Company settled the 2021 Notes upon maturity, June 15, 2021.

On March 12, 2015, the Company completed a public offering of \$500 million aggregate principal amount of the Company's Senior Notes due March 15, 2025 (the "2025 Notes"). The Company pays interest at an annual rate of 3.80% on the 2025 Notes on a semi-annual basis on March 15 and September 15 of each year.

The Company may redeem the 2025, 2026, 2029, 2030, 2049, 2050, and 2060 Notes (collectively the "Senior Notes") at a redemption price equal to 100% of the principal amount of such series ("par"), plus a "make whole" premium as described in the indenture in respect to the Senior Notes and accrued and unpaid interest before December 15, 2024 for the 2025 Notes, before January 15, 2026 for the 2026 Notes, before December 15, 2028 for the 2029 Notes, before March 15, 2030 for the 2030 Notes, before September 15, 2048 for the 2049 Notes, before December 15, 2049 for the 2050 Notes, and before December 15, 2059 for the 2060 Notes. The Company may redeem the Senior Notes at par, plus accrued and unpaid interest at any time on or after December 24, 2024 for the 2025 Notes, on or after January 15, 2026 for the 2026 Notes, on or after December 15, 2028 for the 2029 Notes, on or after March 15, 2030 for the 2030 Notes, on or after September 15, 2048 for the 2049 Notes, on or after December 15, 2049 for the 2050 Notes, and on or after December 15, 2059 for the 2060 Notes. In addition, upon the occurrence of certain events, as described in the indenture, the Company will be required to make an offer to repurchase the Senior Notes at a price equal to 101% of the principal amount of the respective note, plus accrued and unpaid interest.

Selected additional information regarding the Senior Notes outstanding as of June 27, 2021, is as follows:

	Remaining Amortization period	Fair Value of Notes (Level 2)
	(years)	(in thousands)
2025 Notes	3.7	\$ 550,340
2026 Notes	4.7	\$ 838,890
2029 Notes	7.7	\$1,157,490
2030 Notes	9.0	\$ 748,193
2049 Notes	27.7	\$1,004,213
2050 Notes	29.0	\$ 746,910
2060 Notes	39.0	\$ 514,050

## Revolving Credit Facility

On March 12, 2014, the Company established an unsecured Credit Agreement. This agreement was amended on November 10, 2015 (the "Amended and Restated Credit Agreement"), October 13, 2017 (the "2nd Amendment"), February 25, 2019 (the "3rd Amendment"), and June 17, 2021 (the "Second Amended and Restated Credit Agreement). Among other things, the Second Amended and Restated Credit Agreement provides for a \$250 million increase in the Company's revolving credit facility, from \$1.25 billion to \$1.50 billion with a syndicate of lenders, along with an expansion option that will allow the Company, subject to certain requirements, to request an increase in the facility of up to an additional \$600.0 million, for a potential total commitment of \$2.10 billion. The facility matures on June 17, 2026.

Interest on amounts borrowed under the credit facility is, at the Company's option, based on (1) a base rate, defined as the greatest of (a) prime rate, (b) Federal Funds rate plus 0.5%, or (c) one-month LIBOR plus 1.0%, plus a spread of 0.00% to 0.30%, or (2) LIBOR, plus a spread of 0.805% to 1.30%, in each case plus a facility fee, with such spread and facility fee determined based on the rating of the Company's non-credit enhanced, senior unsecured long-term debt. Such spreads and such facility fees are further subject to sustainability adjustments as described in the Second Amended and Restated Credit Agreement, in each case based on the Company's performance of certain energy savings and health and safety standards metrics. Principal and any accrued and unpaid interest is due and payable upon maturity. Additionally, the Company will pay the lenders a quarterly commitment fee that varies based on the Company's credit rating. The Second Amended and Restated Credit Agreement incorporates provisions for the replacement of LIBOR or other reference rates with alternative reference rates under certain circumstances, including when, or if, such reference rates cease to be available. The Second Amended and Restated Credit Agreement contains affirmative covenants, negative covenants, financial covenants, and events of default. As of June 27, 2021, the Company had no borrowings outstanding under the credit facility and was in compliance with all financial covenants.

## Commercial Paper Program

On November 13, 2017, the Company established a commercial paper program under which the Company may issue unsecured commercial paper notes on a private placement basis up to a maximum aggregate principal amount of \$1.25 billion. In July 2021, the Company amended the CP Program size to a maximum aggregate amount outstanding at any time of \$1.5 billion. The net proceeds from the CP Program will be used for general corporate purposes, including repurchases of the Company's Common Stock from time to time under the Company's stock repurchase program. Amounts available under the CP Program may be re-borrowed. The CP Program is backstopped by the Company's Revolving Credit Arrangement. As of June 27, 2021, the Company had no outstanding borrowings under the CP Program.

## Interest Cost

The following table presents the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the debt discount, issuance costs, and effective portion of interest rate contracts with respect to the Senior Notes, convertible notes, commercial paper, and the revolving credit facility during the fiscal years ended June 27, 2021, June 28, 2020, and June 30, 2019.

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
	(in thousands)		
Contractual interest coupon	\$197,367	\$169,483	\$100,712
Amortization of interest discount	3,934	4,280	3,937
Amortization of issuance costs	1,639	1,632	1,426
Effect of interest rate contracts, net	2,070	1,037	4,086
Total interest cost recognized	<u>\$205,010</u>	<u>\$176,432</u>	<u>\$110,161</u>

## Note 15: Leases

The Company leases certain office spaces, manufacturing and warehouse spaces, equipment, and vehicles. While the majority of the Company's lease arrangements are operating leases, the Company has certain leases that qualify as finance leases.

The components of lease expense were as follows for the years ended June 27, 2021 and June 28, 2020:

	Year Ended	
	June 27, 2021	June 28, 2020
	(in thousands)	
<b>Financing lease cost:</b>		
Amortization of right-of-use assets	\$ 7,131	\$ 3,613
Interest on lease liabilities	697	506
Total finance lease cost	\$ 7,828	\$ 4,119
 <b>Operating lease cost</b>		
	\$ 51,519	\$ 46,101
<b>Variable lease cost</b>	219,040	91,851

Variable lease payments are expensed as incurred and are not included within the right of use asset and lease liability calculation. Variable lease payments primarily include costs associated with the Company's third-party logistics arrangements that contain one or more embedded leases. Variable lease costs will fluctuate based on factory output and material receipt volumes. Short-term rental expense, for agreements less than one year in duration, were immaterial for the twelve months ended June 27, 2021 and June 28, 2020, respectively.

Supplemental cash flow information related to leases was as follows as of June 27, 2021 and June 28, 2020:

	Year Ended	
	June 27, 2021	June 28, 2020
	(in thousands)	
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows paid for operating leases	\$63,895	\$ 50,223
Financing cash flows paid for principal portion of finance leases	5,952	3,539
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	\$48,993	108,816
Finance leases	29,497	3,019

Supplemental balance sheet information related to leases were as follows as of June 27, 2021 and June 28, 2020:

	June 27, 2021		June 28, 2020
	(in thousands)		
<b>Operating leases</b>			
Other assets	\$173,784	\$174,583	
Accrued expenses and other current liabilities	\$ 45,310	\$ 49,480	
Other long-term liabilities	118,385	123,889	
Total operating lease liabilities	\$163,695	\$173,369	
<b>Finance Leases</b>			
Property and Equipment, net	\$ 44,054	\$ 18,409	
Current portion of long-term debt and lease liabilities	\$ 11,349	\$ 3,770	
Long-term debt and lease liabilities, less current portion	29,398	11,477	
Total finance lease liabilities	\$ 40,747	\$ 15,247	

	June 27, 2021		June 28, 2020	
	Weighted-Average Remaining Lease Term	Weighted-Average Discount Rate	Weighted-Average Remaining Lease Term	Weighted-Average Discount Rate
	(in years)		(in years)	
Operating leases	5.5	2.30%	9.0	2.57%
Finance leases	5.3	1.69%	4.1	2.79%

As of June 27, 2021, the maturities of lease liabilities are as follows:

	Operating Leases (in thousands)	Finance Leases (in thousands)
2022	\$ 48,487	\$11,870
2023	32,774	6,438
2024	22,756	5,882
2025	17,803	5,152
2026	12,702	5,062
Thereafter	38,628	8,244
Total lease payments	\$173,150	\$42,648
Less imputed interest	(9,455)	(1,901)
<b>Total</b>	<b>\$163,695</b>	<b>\$40,747</b>

#### Selected Leases and Related Guarantees

The Company had leases regarding certain improved properties in Fremont and Livermore, California (the "California Facility Leases") that were classified as operating leases as of June 28, 2020. On September 21, 2020, the Company renewed these leases for an additional seven-year term, and concluded the modified leases are finance leases, and recognized approximately \$31.4 million of property and equipment, net, for the associated right of use assets, and \$29.8 million of finance lease obligations (\$3.1 million classified in current portion of long-term debt and finance lease obligations and the remainder in long-term debt and finance lease obligations, less current portion). The Company is required to maintain cash collateral in an aggregate of approximately \$250 million in separate interest-bearing accounts as security for the Company's obligations. These amounts are recorded with other restricted cash and investments in the Company's Consolidated Balance Sheet as of June 27, 2021 and June 28, 2020.

During the term of the California Facility Leases and when the terms of the California Facility Leases expire, the property subject to the California Facility Leases may be re-marketed. The Company has guaranteed to the lessor that each property will have a certain minimum residual value. The aggregate maximum guarantee made by the Company under the California Facility Leases is \$298.4 million.

The Company leases the majority of its administrative, R&D and manufacturing facilities, regional sales/service offices, and certain equipment under non-cancelable leases. Certain of the Company's facility leases for buildings located at its Fremont, California headquarters; Tualatin, Oregon campus; and certain other facility leases provide the Company with options to extend the leases for additional periods or to purchase the facilities. Certain of the Company's facility leases provide for periodic rent increases based on the general rate of inflation. The Company's rental expense for facilities occupied during fiscal year 2019 was \$28.1 million.

#### Note 16: Retirement and Deferred Compensation Plans

##### Employee Savings and Retirement Plan

The Company maintains a 401(k) retirement savings plan for its eligible employees in the United States. Each participant in the plan may elect to contribute from 1% to 75% of annual eligible earnings to the plan, subject to statutory limitations. The Company makes matching employee contributions in cash to the plan at the rate of 50% of the first 6% of earnings contributed. Employees participating in the 401(k) retirement savings plan are fully vested in the Company matching contributions, and investments are directed by participants. The Company made matching contributions of \$26.9 million, \$23.6 million, and \$24.1 million, in fiscal years 2021, 2020, and 2019, respectively.

##### Deferred Compensation Arrangements

The Company has an unfunded, non-qualified deferred compensation plan whereby executives may defer a portion of their compensation. Participants earn a return on their deferred compensation based on their allocation of their account balance among

various mutual funds. The Company controls the investment of these funds, and the participants remain general creditors of the Company. Participants are able to elect the payment of benefits on a specified date at least three years after the opening of a deferral sub-account or upon retirement. Distributions are made in the form of lump sum or annual installments over a period of up to 20 years as elected by the participant. If no alternate election has been made, a lump sum payment will be made upon termination of a participant's employment with the Company. As of June 27, 2021, and June 28, 2020, the liability of the Company to the plan participants was \$297.3 million and \$220.0 million, respectively, which was recorded in accrued expenses and other current liabilities and other long-term liabilities on the Consolidated Balance Sheets. As of June 27, 2021, and June 28, 2020, the Company had investments in the aggregate amount of \$313.9 million and \$235.1 million, respectively, which correlate to the deferred compensation obligations, which were recorded in other assets on the Consolidated Balance Sheets.

#### Post-Retirement Healthcare Plan

The Company maintains a post-retirement healthcare plan for certain executive and director retirees. Coverage continues through the duration of the lifetime of the retiree or the retiree's spouse, whichever is longer. The benefit obligation was \$40.1 million and \$41.0 million as of June 27, 2021, and June 28, 2020, respectively.

#### **Note 17: Commitments and Contingencies**

The Company has certain obligations to make future payments under various contracts; some of these are recorded on its balance sheet and some are not. Obligations that are recorded on the Company's balance sheet include the Company's operating and finance lease obligations. Obligations that are not recorded on the Company's balance sheet include contractual relationships for purchase obligations and certain guarantees. The Company's commitments relating to off-balance sheet agreements are included in the tables below. These amounts exclude \$527.3 million of liabilities related to uncertain tax positions (see Note 7 – Income Taxes for further discussion), \$180.0 million of liability associated with a minimum purchase penalty obligation to a certain supplier, and \$200.7 million of capital expenditures associated with facilities under construction as of the end of the fiscal year because the Company is unable to reasonably estimate the ultimate amount or time of settlement.

#### Other Guarantees

The Company has issued certain indemnifications to its lessors for taxes and general liability under some of its agreements. The Company has entered into insurance contracts that are intended to limit its exposure to such indemnifications. As of June 27, 2021, the Company had not recorded any liability on its Consolidated Financial Statements in connection with these indemnifications, as it does not believe that it is probable that any material amounts will be paid under these guarantees.

Generally, the Company indemnifies, under pre-determined conditions and limitations, its customers for infringement of third-party intellectual property rights by the Company's products or services. The Company seeks to limit its liability for such indemnity to an amount not to exceed the sales price of the products or services subject to its indemnification obligations. The Company does not believe that it is probable that any material amounts will be paid under these guarantees.

The Company provides guarantees and standby letters of credit to certain parties as required for certain transactions initiated during the ordinary course of business. As of June 27, 2021, the maximum potential amount of future payments that the Company could be required to make under these arrangements and letters of credit was \$74.3 million. The Company does not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid.

In addition, the Company has entered into indemnification agreements with its officers and directors, consistent with its Bylaws and Certificate of Incorporation; and under local law, the Company may be required to provide indemnification to its employees for actions within the scope of their employment. Although the Company maintains insurance contracts that cover some of the potential liability associated with these indemnification agreements, there is no guarantee that all such liabilities will be covered. The Company does not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under such indemnification agreements or statutory obligations.

#### Purchase Obligations

Purchase obligations consist of non-cancelable significant contractual obligations either on an annual basis or over multi-year periods. The contractual cash obligations and commitments table presented below contains the Company's minimum obligations at June 27, 2021, under these arrangements and others. For obligations with cancellation provisions, the amounts included in the following table were limited to the non-cancelable portion of the agreement terms or the minimum cancellation fee. Actual expenditures will vary based on the volume of transactions and length of contractual service provided.

The Company's commitments related to these agreements as of June 27, 2021, were as follows:

Payments Due by Fiscal Year:	Purchase Obligations (in thousands)
2022	\$660,201
2023	57,023
2024	57,023
2025	20,362
2026	20,362
Thereafter	3,215
<b>Total</b>	<b>\$818,186</b>

#### Warranties

The Company provides standard warranties on its systems. The liability amount is based on actual historical warranty spending activity by type of system, customer, and geographic region, modified for any known differences such as the impact of system reliability improvements. As of June 27, 2021, warranty reserves totaling \$15.7 million were recognized in other long-term liabilities, the remainder were included in accrued expenses and other current liabilities in the Company's Consolidated Balance Sheets.

Changes in the Company's product warranty reserves were as follows:

	Year Ended	
	June 27, 2021	June 28, 2020
<b>(in thousands)</b>		
Balance at beginning of period	\$ 129,197	\$ 127,932
Warranties issued during the period	229,026	151,508
Settlements made during the period	(172,759)	(131,177)
Changes in liability for pre-existing warranties	6,294	(19,066)
<b>Balance at end of period</b>	<b>\$ 191,758</b>	<b>\$ 129,197</b>

#### Legal Proceedings

While the Company is not currently a party to any legal proceedings that it believes material, the Company is either a defendant or plaintiff in various actions that have arisen from time to time in the normal course of business, including intellectual property claims. The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. Based on current information, the Company does not believe that a material loss from known matters is probable and therefore has not recorded an accrual of any material amount for litigation or other contingencies related to existing legal proceedings.

#### **Note 18: Stock Repurchase Program**

In November 2020, the Board of Directors authorized the Company to repurchase up to an additional \$5.0 billion of Common Stock; this authorization supplements the remaining balances from any prior authorizations. These repurchases can be conducted on the open market or as private purchases and may include the use of derivative contracts with large financial institutions, in all cases subject to compliance with applicable law. This repurchase program has no termination date and may be suspended or discontinued at any time.

Repurchases under the repurchase program were as follows during the periods indicated:

Period	Total Number of Shares Repurchased	Total Cost of Repurchase	Average Price Paid Per Share <sup>(1)</sup>	Amount Available Under Repurchase Program
(in thousands, except per share data)				
Available balance as of June 28, 2020				\$1,773,427
Quarter ended September 27, 2020	1,344	\$461,998	\$343.73	\$1,311,429
Board authorization, \$5 billion increase, November 2020				\$6,311,429
Quarter ended December 27, 2020	1,789	\$724,485	\$404.98	\$5,586,944
Quarter ended March 28, 2021	1,474	\$925,099	\$519.30	\$4,661,845
Quarter ended June 27, 2021	922 <sup>(2)</sup>	\$439,625	\$619.76	\$4,222,220

(1) Average price paid per share excludes the effect of accelerated share repurchases. See additional disclosure below regarding the Company's accelerated share repurchase activity during the fiscal year.

(2) Includes shares received at final settlement of accelerated share repurchase agreements; see additional disclosures below regarding the Company's accelerated share repurchase activity during the fiscal year.

In addition to the shares repurchased under the Board-authorized repurchase program shown above, the Company acquired 290 thousand shares at a total cost of \$166.4 million during the 12 months ended June 27, 2021, which the Company withheld through net settlements to cover minimum tax withholding obligations upon the vesting of restricted stock unit awards granted under the Company's equity compensation plans. The shares retained by the Company through these net share settlements are not a part of the Board-authorized repurchase program but instead are authorized under the Company's equity compensation plan.

#### Accelerated Share Repurchase Agreements

On February 11, 2021, the Company entered into an accelerated share repurchase agreement (the "February 2021 ASR") with a financial institution to repurchase a total of \$500 million of Common Stock. The Company took an initial delivery of approximately 655 thousand shares, which represented 75% of the prepayment amount divided by the Company's closing stock price on February 11, 2021. The total number of shares received under the February 2021 ASR was based upon the average daily volume weighted average price of the Company's Common Stock during the repurchase period, less an agreed upon discount. Final settlement of the February 2021 ASR occurred during May 2021, resulting in the receipt of approximately 213 thousand additional shares, which yielded a weighted-average share price of approximately \$575.74 for the transaction period.

#### Note 19: Comprehensive Income (Loss)

The components of accumulated other comprehensive loss, net of tax at the end of June 27, 2021, as well as the activity during the fiscal year ended June 27, 2021, were as follows:

	Accumulated Foreign Currency Translation Adjustment	Accumulated Unrealized Gain or Loss on Cash Flow Hedges	Accumulated Unrealized Holding Gain or Loss on Available-For-Sale Investments	Accumulated Unrealized Components of Defined Benefit Plans	Total
(in thousands)					
Balance as of June 28, 2020	\$(45,811)	\$(32,796)	\$ 4,923	\$(20,527)	\$(94,211)
Other comprehensive income (loss) before reclassifications	14,398	22,139	(4,098)	326	32,765
(Gains) losses reclassified from accumulated other comprehensive income (loss) to net income <sup>(1)</sup>	—	(3,468)	786	—	(2,682)
Net current-period other comprehensive income (loss)	14,398	18,671	(3,312)	326	30,083
Balance as of June 27, 2021	<u>\$(31,413)</u>	<u>\$(14,125)</u>	<u>\$ 1,611</u>	<u>\$(20,201)</u>	<u>\$(64,128)</u>

(1) Amount of after-tax gain reclassified from accumulated other comprehensive income into net income is not material individually or in the aggregate, or to any individual location in our Consolidated Statement of Operations.

Tax related to other comprehensive income, and the components thereto, for the years ended June 27, 2021, June 28, 2020, and June 30, 2019 was not material.

**Note 20: Segment, Geographic Information, and Major Customers**

The Company operates in one reportable business segment: manufacturing and servicing of wafer processing semiconductor manufacturing equipment. The Company's material operating segments qualify for aggregation due to their customer base and similarities in economic characteristics, nature of products and services, and processes for procurement, manufacturing, and distribution.

The Company operates in seven geographic regions: United States, China, Europe, Japan, Korea, Southeast Asia, and Taiwan. For geographical reporting, revenue is attributed to the geographic location in which the customers' facilities are located, while long-lived assets; which includes property and equipment, net, and recognized right of use assets reported in other assets in the Consolidated Balance Sheets as of June 27, 2021 and June 28, 2020; are attributed to the geographic locations in which the assets are located.

Revenues and long-lived assets by geographic region were as follows:

	Year Ended		
	June 27, 2021	June 28, 2020	June 30, 2019
(in thousands)			
<b>Revenue:</b>			
China	\$ 5,137,886	\$ 3,083,916	\$2,161,440
Korea	3,924,685	2,391,257	2,205,348
Taiwan	2,117,999	1,906,223	1,596,261
Japan	1,363,907	954,743	1,969,869
Southeast Asia	945,478	587,638	615,813
United States	672,716	812,482	748,601
Europe	463,479	308,477	356,227
Total revenue	<u>\$14,626,150</u>	<u>\$10,044,736</u>	<u>\$9,653,559</u>
(in thousands)			
<b>Long-lived assets:</b>			
United States	\$1,137,490	\$1,052,714	\$ 933,054
Southeast Asia	129,881	31,027	5,542
Europe	77,661	80,297	72,928
Korea	62,502	49,943	28,200
Taiwan	47,279	11,555	6,759
Japan	13,149	11,826	5,750
China	9,301	8,720	6,844
	<u>\$1,477,263</u>	<u>\$1,246,082</u>	<u>\$1,059,077</u>

In fiscal year 2021, three customers accounted for approximately 25%, 12%, and 10% of total revenues, respectively. In fiscal year 2020, four customers accounted for approximately 24%, 14%, 10%, and 10% of total revenues, respectively. In fiscal year 2019, four customers accounted for approximately 15%, 14%, 14%, and 14%, of total revenues, respectively. No other customers accounted for more than 10% of total revenues.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Lam Research Corporation

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Lam Research Corporation (the Company) as of June 27, 2021 and June 28, 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 27, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 27, 2021 and June 28, 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 27, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 27, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 17, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

### ***Inventory – Valuation***

<i>Description of the Matter</i>	The Company's inventories totaled \$2.7 billion as of June 27, 2021, representing 17% of total assets. As explained in Note 2 to the consolidated financial statements, the Company assesses the valuation of all inventories including manufacturing raw materials, work-in-process, finished goods, and spare parts in each reporting period. Obsolete inventory or inventory in excess of management's estimated usage requirement is written down to its estimated net realizable value if less than cost.
	Auditing management's estimates for excess and obsolete inventory involved subjective auditor judgment because management's assessment of whether a write down is required and the measurement of any excess of cost over net realizable value is judgmental and considers a number of qualitative factors that are affected by market and economic conditions outside the Company's control.
<i>How We Addressed the Matter in Our Audit</i>	We evaluated and tested the Company's processes and the design and operating effectiveness of internal controls addressing the identified audit risks. This included controls over management's assessment of inventory valuation, including the development of forecasted usage of inventories and consideration of how factors outside of the Company's control might affect management's judgment related to the valuation of excess and obsolete inventory. Our audit procedures included, among others, evaluating the significant assumptions (e.g., forecasts related to the Company's future manufacturing schedules, customer demand, technological and/or market obsolescence, and possible alternative uses) and the underlying data used in management's excess and obsolete inventory valuation assessment. We evaluated inventory levels compared to forecasted demand, historical sales and specific product considerations. We also assessed the historical accuracy of management's estimates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1981.

San Jose, California  
August 17, 2021

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Lam Research Corporation

### **Opinion on Internal Control over Financial Reporting**

We have audited Lam Research Corporation's internal control over financial reporting as of June 27, 2021, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Lam Research Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 27, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 27, 2021 and June 28, 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 27, 2021, and the related notes and our report dated August 17, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California

August 17, 2021

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures****Design of Disclosure Controls and Procedures and Internal Control over Financial Reporting**

We maintain disclosure controls and procedures and internal control over final reporting that are designed to comply with Rule 13a-15 of the Exchange Act. In designing and evaluating the controls and procedures associated with each, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and that the effectiveness of controls cannot be absolute because the cost to design and implement a control to identify errors or mitigate the risk of errors occurring should not outweigh the potential loss caused by the errors that would likely be detected by the control. Moreover, we believe that a control system cannot be guaranteed to be 100% effective all of the time. Accordingly, 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.

**Disclosure Controls and Procedures**

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 27, 2021, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer each concluded that our disclosure controls and procedures are effective, as of June 27, 2021, at the reasonable assurance level.

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis and to correct any material deficiencies that we may discover. Our goal is to ensure that our senior management has timely access to material information that could affect our business.

In response to the COVID-19 pandemic a significant number of our employees are working remotely. The design of our business processes and internal controls enabled remote execution through secure remote access to data. While certain of our business processes required slight modification as a result of the need for remote work, those changes did not result in the need for significant adjustments to our internal control structure.

**Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate "internal control over financial reporting", as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework used by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on that evaluation, management has concluded that the Company's internal control over financial reporting was effective as of June 27, 2021, at providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Ernst & Young LLP, an independent registered public accounting firm, audited the financial statements included in this 2021 Form 10-K and has issued an attestation report on the Company's internal control over financial reporting, as stated in their report, which is included in Part II, Item 8 of this 2021 Form 10-K.

**Effectiveness of Controls**

While we believe the present design of our disclosure controls and procedures and internal control over financial reporting is effective at the reasonable assurance level, future events affecting our business may cause us to modify our disclosure controls and procedures or internal control over financial reporting.

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## **PART III**

We have omitted from this 2021 Form 10-K certain information required by Part III because we, as the Registrant, will file a definitive proxy statement with the SEC within 120 days after the end of our fiscal year, pursuant to Regulation 14A, as promulgated by the SEC, for our Annual Meeting of Stockholders expected to be held on or about November 8, 2021, (the "Proxy Statement"), and certain information included in the Proxy Statement is incorporated into this report by reference.

### **Item 10. Directors, Executive Officers and Corporate Governance**

For information regarding our executive officers, see Part I, Item 1 of this 2021 Form 10-K under the caption "Information about our Executive Officers," which information is incorporated into Part III by reference.

The information concerning our directors required by this Item is incorporated by reference to our Proxy Statement under the heading "Voting Proposals – Proposal No. 1: Election of Directors – 2021 Nominees for Director."

The information concerning our audit committee and audit committee financial experts required by this Item is incorporated by reference to our Proxy Statement under the heading "Governance Matters – Corporate Governance – Board Committees" and "Governance Matters – Corporate Governance – Board Committees – Audit Committee."

The Company has adopted a Corporate Code of Ethics that applies to all employees, officers, and directors of the Company. Our Code of Ethics is publicly available on the Investor Relations page of our website at <http://investor.lamresearch.com>. To the extent required by law, any amendments to, or waivers from, any provision of the Code of Ethics will promptly be disclosed to the public. To the extent permitted by applicable legal requirements, we intend to make any required public disclosure by posting the relevant material on our website in accordance with SEC rules.

### **Item 11. Executive Compensation**

The information required by this Item is incorporated by reference to our Proxy Statement under the heading "Compensation Matters – Executive Compensation and Other Information," "Compensation Matters – CEO Pay Ratio," and "Governance Matters – Director Compensation."

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item is incorporated by reference to our Proxy Statement under the headings "Stock Ownership – Security Ownership of Certain Beneficial Owners and Management" and "Compensation Matters – Securities Authorized for Issuance Under Equity Compensation Plans."

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this Item is incorporated by reference to our Proxy Statement under the headings "Audit Matters – Certain Relationships and Related Party Transactions" and "Governance Matters – Corporate Governance – Director Independence Policies."

### **Item 14. Principal Accountant Fees and Services**

The information required by this Item is incorporated by reference to our Proxy Statement under the heading "Audit Matters – Relationship with Independent Registered Public Accounting Firm – Fees Billed by Ernst & Young LLP" and "Audit Matters – Relationship with Independent Registered Public Accounting Firm – Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services."

## PART IV

### **Item 15. Exhibit and Financial Statement Schedules**

- (a) The following documents are filed as part of this Annual Report on Form 10-K.

	Page
<b>1. Index to Financial Statements</b>	
Consolidated Statements of Operations – Years Ended June 27, 2021, June 28, 2020, and June 30, 2019	40
Consolidated Statements of Comprehensive Income – Years Ended June 27, 2021, June 28, 2020, and June 30, 2019	41
Consolidated Balance Sheets – June 27, 2021, and June 28, 2020	42
Consolidated Statements of Cash Flows – Years Ended June 27, 2021, June 28, 2020, and June 30, 2019	43
Consolidated Statements of Stockholders' Equity – Years Ended June 27, 2021, June 28, 2020, and June 30, 2019	45
Notes to Consolidated Financial Statements	46
Reports of Independent Registered Public Accounting Firm	74
<b>2. Index to Financial Statement Schedules</b>	
Schedules have been omitted since they are not applicable, not required, not material, or the information is included elsewhere herein.	

### **Item 16. Form 10-K Summary**

None

**LAM RESEARCH CORPORATION**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE FISCAL YEAR ENDED JUNE 27, 2021**

**EXHIBIT INDEX**

Exhibit	Description
3.1	Restated Certificate of Incorporation of the Registrant, (including Certificate and Designation, Preferences and Rights of Series A Junior Participating Preferred Stock), dated November 22, 2016 which is incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed on January 30, 2017 (SEC File No. 000-12933).
3.2	Bylaws of the Registrant, as amended and restated, dated May 12, 2020 which is incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on May 18, 2020 (SEC File No. 000-12933).
4.1	Indenture (including Form of Notes), dated as of February 13, 2015, between Registrant and The Bank of New York Mellon Trust Company, N.A. which is incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 filed on February 13, 2015 (SEC File No. 333-202110).
4.2	First Supplemental Indenture, dated as of March 12, 2015, by and between Lam Research Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee which is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on March 12, 2015 (SEC File No. 000-12933).
4.3	Second Supplemental Indenture, dated as of June 7, 2016, by and between Lam Research Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee which is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on June 7, 2016 (SEC File No. 000-12933).
4.4	Third Supplemental Indenture, dated as of March 4, 2019 by and between Lam Research Corporation and the Bank of New York Mellon Trust Company, N.A. as trustee which is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on March 4, 2019 (SEC File No. 000-12933).
4.5	Fourth Supplemental Indenture, dated as of May 5, 2020 by and between Lam Research Corporation and the Bank of New York Mellon Trust Company, N.A. as trustee which is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on May 5, 2020 (SEC File No. 000-12933).
4.6	Description of Common Stock, which is incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 10-K filed on August 18, 2020 (SEC File No. 000-12933).
10.1*	Form of Indemnification Agreement which is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 1988 (SEC File No. 000-12933).
10.2*	Form of Indemnification Agreement which is incorporated by reference to Exhibit 10.148 to the Registrant's Current Report on Form 8-K filed on November 13, 2008 (SEC File No. 000-12933).
10.3*	Form of Indemnification Agreement which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 4, 2012 (SEC File No. 000-12933).
10.4*	Form of Novellus Directors and Officers Indemnification Agreement which is incorporated by reference to Exhibit 10.1 to Novellus' Current Report on Form 10-Q filed on August 13, 2002 (SEC File No. 000-17157).
10.5*	Novellus Amended Executive Voluntary Deferred Compensation Plan, as amended which is incorporated by reference to Exhibit 10.28 to Novellus' Quarterly Report on Form 10-Q filed on November 5, 2008 (SEC File No. 000-17157).
10.6*	Novellus Accelerated Stock Vesting Retirement Plan Summary which is incorporated by reference to Exhibit 10.30 to Novellus' Quarterly Report on Form 10-Q filed on November 2, 2010 (SEC File No. 000-17157).
10.7*	Novellus Systems, Inc. 2011 Stock Incentive Plan, as amended July 18, 2012 which is incorporated by reference to Exhibit 10.172 to the Registrant's Annual Report on Form 10-K filed on August 22, 2012 (SEC File No. 000-12933).
10.8*	Form of Nonstatutory Stock Option Award Agreement (U.S. Participants) – Lam Research Corporation 2007 Stock Incentive Plan which is incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on February 6, 2014 (SEC File No. 000-12933).
10.9*	Form of Nonstatutory Stock Option Award Agreement (U.S. Participants) – Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended) which is incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q filed on February 6, 2014 (SEC File No. 000-12933).
10.10	Form of Confidentiality Agreement which is incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q filed on February 3, 2015 (SEC File No. 000-12933).
10.11*	Form of Restricted Stock Unit Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.244 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).

Exhibit	Description
10.12*	Form of Option Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.247 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).
10.13*	Form of Indemnification Agreement which is incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on April 24, 2017 (SEC File No. 000-12933).
10.14	Form of Commercial Paper Dealer Agreement 4(a)(2) Program between Lam Research Corporation, as issuer, and the dealer which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 14, 2017 (SEC File No. 000-12933).
10.15*	Lam Research Corporation 2007 Stock Incentive Plan, as amended, which is incorporated by reference to Exhibit 4.15 to the Registrant's Annual Report on Form 10-K filed on August 27, 2013 (SEC File No. 000-12933).
10.16*	Lam Research Corporation Elective Deferred Compensation Plan which is incorporated by reference to Exhibit 4.16 to the Registrant's Annual Report on Form 10-K filed on August 19, 2011 (SEC File No. 000-12933)
10.17*	Lam Research Corporation Elective Deferred Compensation Plan II which is incorporated by reference to Exhibit 4.17 to the Registrant's Annual Report on Form 10-K filed on August 19, 2011 (SEC File No. 000-12933)
10.18	Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended which is incorporated by reference to Exhibit 4.1 to the Registrant's Form S-8 filed on April 30, 2019 (SEC File No. 333-231138).
10.19*	2004 Executive Incentive Plan, as Amended and Restated which is incorporated by reference to Exhibit 4.23 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).
10.20	2015 Stock Incentive Plan which is incorporated by reference to Exhibit 4.24 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).
10.21*	Form of Market-Based-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on October 23, 2018 (SEC File No 000-12933).
10.22*	Form of Restricted Stock Unit Agreement (U.S. Participants) – 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on April 30, 2019 (SEC File No. 000-12933).
10.23*	Form of Restricted Stock Unit Agreement (Outside Directors) – 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on April 30, 2019 (SEC File No. 000-12933).
10.24*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed on April 30, 2019 (SEC File No. 000-12933).
10.25*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on April 28, 2020 (SEC File No. 000-12933).
10.26*	Executive Severance Policy which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 28, 2020 (SEC File No. 000-12933).
10.27*	Executive Change in Control Policy which is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on December 28, 2020 (SEC File No. 000-12933).
10.28	Second Amended and Restated Credit Agreement dated June 17, 2021, among Lam Research Corporation, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents and lenders listed therein, and all exhibits and schedules attached thereto which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 21, 2021 (SEC File No. 000-12933).
10.29*	Form of Option Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan.
10.30*	Form of Restricted Stock Unit Agreement (U.S. Participants) – 2015 Stock Incentive Plan.
10.31*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan.
10.32*	Form of Option Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan.
10.33*	Form of Option Award Agreement (International Participants) – 2015 Stock Incentive Plan.
10.34*	Form of Restricted Stock Unit Agreement (U.S. Participants) – 2015 Stock Incentive Plan.
10.35*	Form of Restricted Stock Unit Agreement (International Participants) – 2015 Stock Incentive Plan.
10.36*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) – 2015 Stock Incentive Plan.

Exhibit	Description
10.37*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (International Participants) – 2015 Stock Incentive Plan.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (See Signature page)
31.1	Rule 13a – 14(a) / 15d – 14(a) Certification (Principal Executive Officer)
31.2	Rule 13a – 14(a) / 15d – 14(a) Certification (Principal Financial Officer)
32.1	Section 1350 Certification – (Principal Executive Officer)
32.2	Section 1350 Certification – (Principal Financial Officer)
101.INS	Inline 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	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Indicates management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 17, 2021

LAM RESEARCH CORPORATION  
(Registrant)

By: /s/ Timothy M. Archer

Timothy M. Archer  
President and Chief Executive Officer

## POWER OF ATTORNEY AND SIGNATURES

By signing this Annual Report on Form 10-K below, I hereby appoint each of Timothy M. Archer and Douglas R. Bettinger, jointly and severally, as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf and to file this Form 10-K (including all exhibits and other related documents) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date			
<b>Principal Executive Officer</b>					
/s/ Timothy M. Archer Timothy M. Archer	President, Chief Executive Officer and Director	August 17, 2021			
<b>Principal Financial Officer and Principal Accounting Officer</b>					
/s/ Douglas R. Bettinger Douglas R. Bettinger	Executive Vice President, Chief Financial Officer, and Chief Accounting Officer	August 17, 2021			
<b>Other Directors</b>					
Signatures	Title	Date	Signatures	Title	Date
/s/ Abhijit Y. Talwalkar Abhijit Y. Talwalkar	Chairman	August 17, 2021	/s/ Catherine P. Lego Catherine P. Lego	Director	August 17, 2021
/s/ Sohail U. Ahmed Sohail U. Ahmed	Director	August 17, 2021	/s/ Bethany J. Mayer Bethany J. Mayer	Director	August 17, 2021
/s/ Eric K. Brandt Eric K. Brandt	Director	August 17, 2021	/s/ Lih Shyng Tsai Lih Shyng (Rick L.) Tsai	Director	August 17, 2021
/s/ Michael R. Cannon Michael R. Cannon	Director	August 17, 2021	/s/ Leslie F. Varon Leslie F. Varon	Director	August 17, 2021

## BOARD OF DIRECTORS

Abhijit Y. Talwalkar  
Chairman  
Former President and  
Chief Executive Officer  
LSI Corporation

Timothy M. Archer  
President and  
Chief Executive Officer

Sohail U. Ahmed  
Former Senior Vice President and  
General Manager, Technology and  
Manufacturing Group  
Intel Corporation

Eric K. Brandt  
Former Executive Vice President  
and Chief Financial Officer  
Broadcom Corporation

Michael R. Cannon  
General Partner  
MRC & LBC Partners, LLC  
Retired President of Global  
Operations  
Dell Inc.

Catherine P. Lego  
Professional Director

Bethany J. Mayer  
Executive Partner  
Siris Capital Group LLC

Lih Shyng (Rick L.) Tsai, Ph.D.  
Chief Executive Officer  
and Director  
MediaTek Inc.

Leslie F. Varon  
Former Chief Financial Officer  
Xerox Corporation

## EXECUTIVE OFFICERS

Timothy M. Archer  
President and  
Chief Executive Officer

Douglas R. Bettinger  
Executive Vice President and  
Chief Financial Officer

Richard A. Gottscho, Ph.D.  
Executive Vice President,  
Chief Technology Officer

Ava M. Hahn  
Senior Vice President,  
Chief Legal Officer and Secretary

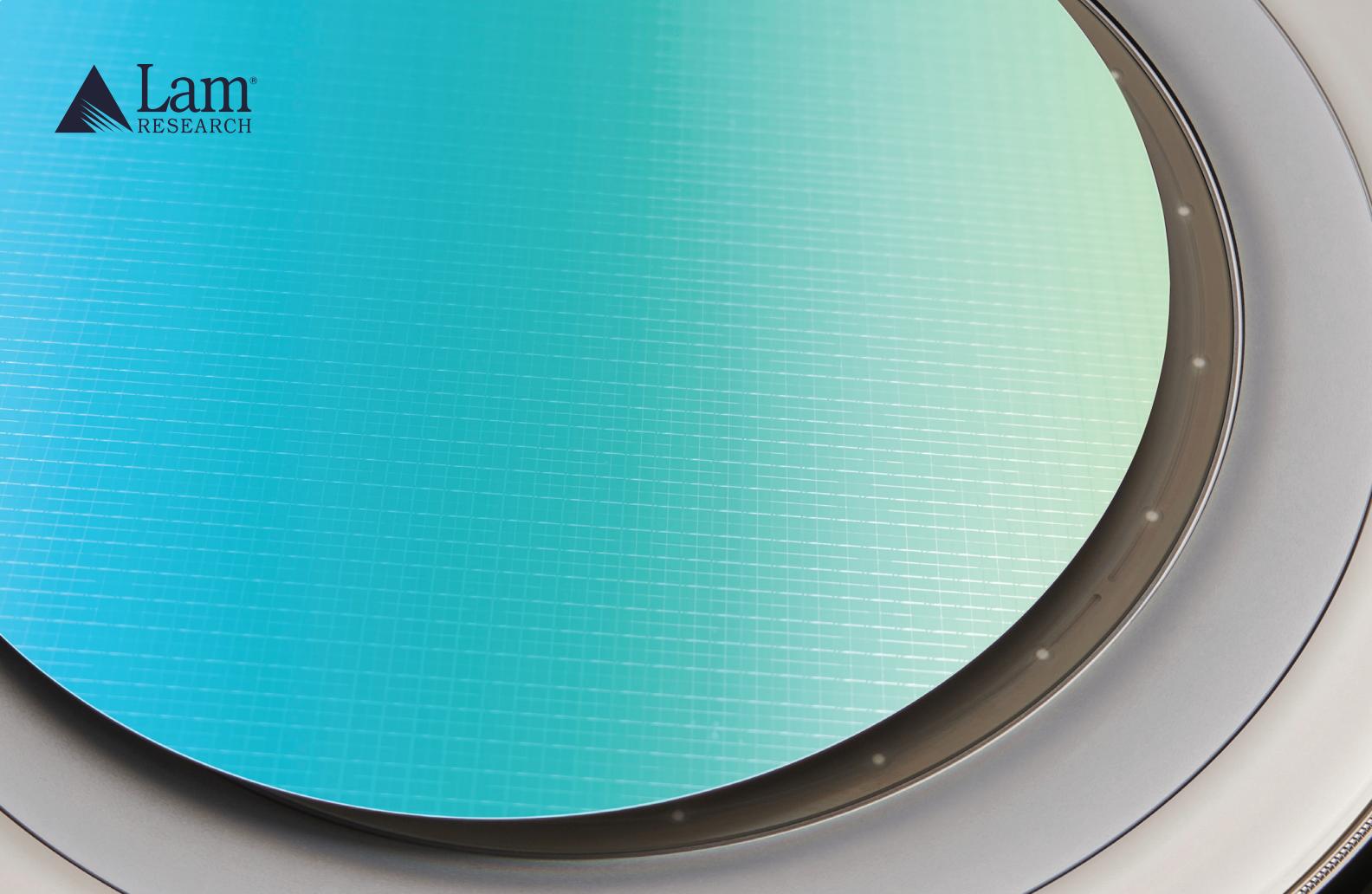
Patrick J. Lord, Ph.D.  
Executive Vice President,  
Customer Support Business Group  
and Global Operations

Scott G. Meikle, Ph.D.  
Senior Vice President,  
Global Customer Operations

Vahid Vahedi, Ph.D.  
Senior Vice President  
and General Manager,  
Etch Business Unit

Seshasayee (Sesha) Varadarajan  
Senior Vice President  
and General Manager,  
Deposition Business Unit

As of September 9, 2021



Lam Research Corporation  
4650 Cushing Parkway  
Fremont, California 94538

Phone: 1-510-572-0200  
[www.lamresearch.com](http://www.lamresearch.com)

